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October 16, 1978

Joint Task Force on Risk Management
Salem, Oregon

Gentlemen:

Enclosed is the material prepared by Fred. S. James & Co. in accordance with our agreement of May 31, 1978.

Based upon the enclosed material, recommendations have been prepared and are enclosed with this report.

The lack of valid loss data had a limiting effect on portions of this work, however this was not a material factor in our recommendations.

We will be glad to work with you in making any corrections you feel appropriate, or in development of supplemental data that will be of assistance to you.

Very truly yours,

A handwritten signature in cursive script, reading "William H. Lilly".

William H. Lilly
Senior Vice President

WHL:js
Enclosures

cc: Members of the Joint Task Force

RECOMMENDATIONS TO THE JOINT TASK FORCE ON RISK MANAGEMENT

It is recommended that:

1. The Joint Task Force on Risk Management endorse the creation of the Oregon Governmental Insurance Pool to their respective associations.

Comment:

It is believed that this study produced evidence of sufficient interest among local governments in the state of Oregon that the pooling of insurance risks is workable and will produce the desired results. A projected premium during the first year of \$4,000,000 is sufficient to provide a financial base for such a pool.

While there is evidence of some softening in the insurance market, this could be interpreted as poor underwriting and pricing rather than as the result of substantially improved loss ratios among commercial insurers. Although underwriting results appear satisfactory, form changes and developments in rating procedures are indicating more restrictive policy conditions and higher net premiums. This is consistent with the cyclical activity of the insurance market in past years and has imposed substantial burdens on local governments in the state of Oregon during the past four or five year period.

The efficient operation of a Governmental Insurance Pool will introduce risk management techniques which ultimately will reduce loss costs and cause insurance premiums to be sensitive to loss conditions in the state of Oregon.

2. The Joint Task Force on Risk Management act on behalf of the Council in the initial stages of the formation of the pool until such time as it is appropriate to institute the conditions of the Intergovernmental Agreement.

Comment:

The Intergovernmental Agreement can only be effective upon the commitment to the Agreement by interested local governments, and this would require the development of certain administrative facilities substantially in advance of the effective date of the Pool. Therefore, some interim authority must be delegated for the beginning steps, bringing the completed pool facilities to each local government at an effective date to be determined.

3. The effective date of policies issued by the Oregon Governmental Insurance Pool be July 1, 1979 and all such policies be issued for one year from that date.

Comment:

A separate timetable has been furnished as part of this study, and although conceivably an effective date could be 30 or 45 days prior to July 1, 1979, our projections indicate that this would be the most favorable date. The effect of a legislative year, the effect of the passage of possible tax limiting measures, and the fiscal year date of July 1st all affect this recommendation.

4. The Joint Task Force on Risk Management or the Council as authorized by the Intergovernmental Agreement, retain administrative services on a contract basis for at least the first several years of the existence of the Pool.

Comment:

The creation of staff administrators may create a large fixed obligation of Pool resources, in addition to a possible delay in the effective date of the Pool. Contract administration would appear to lend greater flexibility and qualified resource personnel at a time that would be critical to the formation of the Pool.

It is anticipated that the Pool will be in competition with commercial insurance underwriters, and the Pool administration must be prepared to meet this factor on a basis of sound insurance management.

It is probable that a qualified contract adjuster could also negotiate Pool reinsurance on behalf of the Pool at lower acquisition costs than outside reinsurance brokers.

5. The Joint Task Force on Risk Management endorse the concept of a contract claims adjusting facility, functioning under the direction and control of the administrator.
6. The Joint Task Force on Risk Management sponsor legislation which would permit the pooling of workers' compensation risks and employers' liability risks within the framework of the Oregon Governmental Insurance Pool.

Comment:

The inclusion of the coverage would permit each enrolled local government to maintain a coordinated risk management program under the direction of one authority, the Oregon Governmental Insurance Pool. Accident and loss prevention, accident reduction, and cost effective claims management in all areas under one competent administration will produce premiums that are loss sensitive, and will afford a substantial reduction in the overall cost of risk management and insurance.

REPORT TO JOINT TASK FORCE
ON RISK MANAGEMENT
Re
INSURANCE POOLING

October 16, 1978



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STATE OF OREGON
LOCAL GOVERNMENT ASSOCIATION POOL

I. Administration

A. Explanation and Marketing of the Pool

1. The few months before the effective date of the pool will be extremely important from a marketing standpoint. During these months the marketing effort of the administrator must be intensified so that a sufficient number of participants are signed up as of the effective date to make the pool a workable alternative. This marketing effort should encompass a number of areas and will require the assistance of the associations involved in the formation of the pool. The following would be methods of solicitation that could be used in this initial stage to insure that the minimum participation was permitted by the proposed effective date:
 - a. Mail Solicitation--The administrator of the pool could again prepare a solicitation to all prospective members of the pool to solicit their further interest before the effective date of the pool. That solicitation would include a commitment to give a firm premium quotation within a certain time limit after receiving a response.
 - b. Regional Meetings--Various regional meetings could be held around the state to communicate to each of the political entities involved the benefits and premiums they might expect by joining the pool.
 - c. Annual Conventions--The annual conventions of each of the associations involved would be an excellent format to communicate to the members the advantages of joining the local government's insurance pool. The association conventions for the current year would be an excellent place for an initial communication to the members of the workings of the pool.
 - d. Personal Solicitation--The administrator of the pool could personally visit many of the political subdivisions in the state and solicit their participation in the pool. This may be impractical before the beginnings of the pool, but could certainly be a method of solicitation after the pool was functioning.

- e. Association Marketing Efforts--Both before the formation of the pool and after the pool is actively going, the member associations could be actively reminding their members of the benefits of the pool. Quarterly reports could be published in their normal newsletters along with other information as to the success and benefits of joining the Local Government's Insurance Pool.

B. Risk and Coverages to be Retained by the Pool

1. It would be recommended that we consider the pool accepting the risk in the areas of general and automobile liability, automobile physical damage, errors and omissions liability, false arrest, fire and allied perils, crime, fidelity bonds, uninsured motorist, medical payments, contractor's equipment, boiler and machinery coverage, and possibly other areas. The level of the retention that the pool selects will vary with the cost of the excess insurance as well as the hazard assumed. We refer to the graph in Appendix which outlines the level of retention that we are indicating for the pool in the various areas outlined above.
2. Risks to be excluded from the pool: In reviewing this section, we should consider those risks that are high hazard in exposure or are unique in the state. Exposures in this area would be such things as airports, professional liability for hospitals and nursing homes, aircraft liability, marine liability, and, of course, workers' compensation insurance. The workers' compensation coverage cannot be included at the present time because of lack of legislative authority.

C. Solicitation of Underwriting Data--First Year

1. Public Liability Questionnaire gained by either mailing directly to the client, local agent or by actual inspection by a pool representative.
2. Subsequent years--Renewal information would be developed by a renewal questionnaire sent directly to the political subdivision or to the local agent servicing the subdivision. Also, underwriting data will be gained throughout the year by the pool's periodic inspection of the members' premises and operations. An example of the type of questionnaire that would be used is in the addendum section, and the applicable renewal information is indicated by the darkened sections. Although this is not the exact

form that we will recommend that the pool would use, it does encompass many of the questions that would be in the final insurance questionnaire for general liability and automobile coverages.

- D. Collection of Prior Experience Data. This data will have to be collected from the prior insurance carriers writing the various political subdivisions' lines of insurance. This may take a few months to collect, as many of the insurance companies have been reluctant to supply this information to anyone other than their authorized insurance agent. Using that avenue, it should be possible to collect the current accurate loss data from the various insurance companies.

E. Policy Issuing Procedures

1. The pool will be designing their own insurance coverage forms to meet the needs of the members of the pool. The policies will be issued by the pool and sent to the member upon the renewal of their policy each year. The rating for the coverage will be based upon ISO rates with allowances for savings in expenses and also a credit for the amount of retention applicable to the particular political subdivision. At the inception of the pool, it would be recommended that a manual coding of insurance premiums and losses be set up in lieu of using a computer to compile this data. Based upon the recommendation in the Warren, McVeigh report as to using the prior years' actual premiums as a basis of the pool's first year premium charge, we have computed insurance displays for a city, county and a school district. These are actual risks, and the premiums indicated are the present premiums actually paid by these entities. We have developed our own retention credits and expense credit which have been applied to these actual premiums. The displays also indicate the amount of losses that would have to be paid by each of the entities at the retention level selected. It should be noted that a different retention level can be selected for the various coverages. The displays do use one retention level for all coverages.
2. In order to reduce the workload and cut down on expenses, there will be no endorsements issued during the term of the policy or audits performed on any of the political subdivisions. This will eliminate quite a lot of office procedure and flow of paperwork which in reality is unnecessary. The information will be updated at each anniversary, and the appropriate premium charge based upon the exposures. Upon renewal, the renewal proposal and format will be reviewed with the political entity.

3. The premium will be billed with the issuance of the policy and will be due within 30 days of the policy issuance. In the beginning of the pool it may be necessary to solicit contributions from the member agencies in order to properly pay for the excess coverages purchased by the pool. This will have to be worked out with the excess underwriters as well as the members of the pool.
4. An annual report will be prepared by the pool to be delivered to each of the political subdivisions underwritten by the pool. This will include a recap of all the policies written by the pool as well as the premium charge charged and a recap of the loss experience during the last policy year. This report can also be expanded to include a budget figure for the coming year as well as any other recommendations the pool might have as respects a particular political subdivision.
5. The annual report will also include an insurance index which will briefly outline all of the policies presently written for a political subdivision. This will be a quick reference for the political subdivision as respects all insurance policies with the pool.

F. Structure of Administration

1. Risk Manager. The risk manager function would have the overall authority to manage and oversee the operations of the pool. He would act much as the manager of an insurance company dealing with all aspects of the pool administration. He would also make periodic reports to the Board to keep them abreast of the workings of the pool and other pertinent information.
2. Assistant Risk Managers. The assistant risk managers would have the control of the day-to-day functions of the pool in dealing directly with the members of the pool and the risk management functions. They would assist in issuing setting up, and rating of policies as well as contacting the member organizations periodically as respects claims, risk management techniques, inspections and other pool functions. These individuals would be the main advisors as respects the members of the pool. The number of individuals required in this category would be dependent upon the number of participants in the pool.
3. Safety and Engineering. This position would be occupied by someone knowledgeable in loss control and safety and

engineering techniques. They would have the responsibility for the inspections of the local government members, assisting in setting up safety programs, training sessions, and other safety related activities. The number of individuals in this category would also be dependent upon the size of the pool. It is recommended that one engineer would be handling from 60 to 70 clients a year.

4. Claims Manager. This individual would have the overall responsibility for coordinating and handling all of the claims for the pool. In the beginning of the pool, this individual would also be an active adjustor as well as managing the claims department and keeping the full flow of claims going. It is doubtful in the beginning that the pool could support a full-time claims manager inside as well as outside adjustors handling claims around the state. This individual will have to wear two hats in the beginning until the pool is of such size as to require the additional help.
5. Claims Coordinators (Adjustors). This position would be the active adjustors or claims coordinators for the pool and could be handled by in-house adjustors or contracted out to various independent adjustors around the state. These individuals would be actively involved in adjusting and handling new claims for the member entities in the pool. The number of individuals in this capacity would be dependent upon the size of the pool. Initially, economics will probably dictate contracted services in this area.
6. Actuary. The pool should have available an actuary to assist in promulgating rates and formulating projections as to what can be expected for the pool. In the beginning the pool could not afford a full-time actuary, but one should be contacted to work on a part-time basis with the pool.
7. Clerical Personnel. The pool will maintain clerical personnel to assist in the claims department as well as the issuing of policies. These persons will also assist in the preparation of reports, loss displays, premium displays and other data necessary to the function of the pool. The number of personnel in this capacity will depend on the size of the pool. It is recommended that we look at a range of 2.8 people in this capacity per \$1,000,000 of premium written through the pool.

- G. **Administrative Manual.** Before the actual formation and implementation of the pool, the administrators of the pool should prepare an administrative manual for delivery to each of the pool members. This manual would assist each of the members in the workings of the pool and would include reference to handling of claims, loss reporting procedures, handling of new exposures, and other items as respects the day-to-day operations of the pool.

II. Risk Management--Loss Control

- A. We would recommend that one individual in each political subdivision be assigned a primary responsibility for that entity's insurance program. This person would be the contact for the representatives of the pool and would oversee the entire program, reporting to the appropriate board. Also, all claims would be coordinated through this individual, reducing the probability that claims would be lost or poorly handled because of confusion as to reporting.

1. Program for Inspection.

- a. Periodic inspections will have to be made of the various political subdivisions that have joined the pool. Initially, it would be necessary to inspect the higher valued locations within the members in order to best protect the pool's overall assets. The probability of a loss which would exhaust the pool's retention level is greater with the higher value locations and they should receive the pool's inspector's top priority. A time limit of 60 days from the inception date of the pool would be reasonable to inspect these higher value locations for each of the member political subdivisions. Thereafter, the inspection should be prioritized as to the value of the locations with the inspections beginning with the higher value locations and moving to the lower value locations. The inspection should encompass fire, liability, crime and all other areas contemplated by the pool. It may be necessary to make annual inspections of the property or to set up procedures to make periodic inspections to keep safety and loss control in the forefront as respects the pool members. In reviewing the staffing for this operation, we estimate that one engineer or loss control person could handle between 60 and 70 clients a year. Of course, this would depend upon the overall size of the clients as well as the

geographical spread. Initially, this could be a guideline to be used in staffing for the inspection service of the pool.

2. The coordination with other existing inspections. Unfortunately, when considering coordinating the pool's inspections with those of other public officials, such as state and local fire marshalls, transportation department officials, etc., we run into somewhat of a conflict of objectives. Many of the other regulatory agencies are enforcing their own rules and regulations and would not have the same goals in mind as the pool representatives. The OSHA inspector is only concerned with workers' compensation exposures, while the local fire marshall is primarily concerned with public safety. The inspectors for the pool would be concerned with both public safety and property safety in existing buildings as well as the construction of new buildings. Many times the inspection service from these other entities is of little value to the pool from an underwriting standpoint. All efforts would be made to take advantage of these inspections and reduce expenses wherever possible. The one possible exception to the above comments would be in the area of boiler and machinery insurance coverage. The state presently maintains a staff of boiler inspectors who inspect all pressure and steam boilers in the state. The insurance company representatives are also licensed inspectors, and their reports are substituted for those of the state license inspectors. Of course, in the absence of insurance, the state inspectors would be required to inspect these locations to insure their continued maintenance. Conceivably, the pool should be able to take advantage of these inspections, but the increased workload generated by the member of the pool could result in slower service.
3. Development of Risk Reduction and Elimination Techniques.
 - a. Each individual political subdivision will be unique to itself. Based upon the inspection of the loss control experts as well as interviews with the pool's risk managers, certain risk reduction and elimination techniques and suggestions will be made to each political subdivision. These will be tailor-made to fit that political subdivision's exposures and method of operation and may not be apropos to other political subdivisions in the pool.
 - b. Certain areas are homogeneous to many political subdivisions in the pool and loss reduction techniques applied to one could be applied to all. In

fact, in many areas a pool could act as a coordinator and help to reduce or control the overall program for the pool as well as make suggestions in different areas. Examples of this would be the control and coordination of false arrest claims because of lack of service of warrants. A computerized network could be set up and coordinated with the pool giving the entities in the pool a better flow of communications on satisfied warrants. Most false arrest claims arise from someone being arrested after their warrant has already been satisfied. With better communications in this area between the members, this risk could be reduced. Another example would be the setting up of adequate requirements for contractors doing work for the members of the pool. This would include the proper form and use of certificates of insurance, hold harmless agreements and setting the limit of liability requirements for various construction jobs. This transfer of risk technique would also be applicable to the requirements for the use of public buildings and properties.

4. Risk Management--Loss Control

- a. Conduct hazard surveys of buildings, properties and operations to determine hazardous conditions and provide recommendations for correction of same.
- b. Review with appropriate planning personnel any proposed construction and/or alterations of buildings/properties in order to build in safety engineering features where needed. Property conservation and life safety areas would be considered.
- c. Review current purchasing department policies to insure that toxic materials are not indiscriminately ordered without proper safeguards. A monitoring procedure by responsible safety-oriented persons would be recommended where necessary.
- d. Review claim reports for trends in respect to problem locations and/or operations. Safety engineering control methods would be devised for control of trends noted.
- e. Designate "target areas" (i.e., locations/operations having high frequency of claims) and coordinate appropriate loss control activity to provide loss reduction through safety programming.

- f. Conduct actual investigations of serious accidents (such as fatalities, accidents resulting in permanent disability, and where large property losses are sustained) in order to reach concrete conclusions and recommendations in order to prevent reoccurrence.
- g. Be advised of and review claims that involve lawsuits so that appropriate preventative measures can be instituted to prevent reoccurrence.
- h. An accident review board would be recommended as needed to determine the preventability of vehicular accidents by involved employee drivers. A climate of driver accident accountability is established through such an accident review board.
- i. Implement a vehicle use permit system as determined through loss control surveys and interviews.
- j. Establish appropriate promotional campaigns to instill a safety awareness among employees who, in the final analysis, are best able to control unsafe conditions and unsafe acts of others at the actual scene. Campaigns would include such items as first aid training, CPR instruction, and observance of National Fire Protection Week and National Defensive Driving Week.
- k. Develop periodic "Progress Reports" to management in order to reflect loss producing problems, provide solutions for loss control, and obtain decisions on implementation of suggested controls. A follow-up system would be needed to insure loss control recommendation implementation.
- l. Provide safety engineering consultative guidance to management in respect to public accident exposures and vehicle loss control, as requested.
- m. Suggest and coordinate training methods and systems to control areas of past and current loss exposure. Coordinate follow-up training where necessary to insure a high level of employee safety awareness.
- n. Coordinate, as far as practical, outside inspections of public agencies such as Fire Marshalls, OSHA, etc., and review of recommendations for validity, and follow-up on implementation would be coordinated through appropriate contacts.

5. Education in risk management techniques.
 - a. Distribute the risk management manual to all entities in the pool.
 - b. Have the pool subscribe to various risk management periodicals and make use of that information in dealing with the entities in the pool as well as passing on certain tips to them.
 - c. Publish a monthly newsletter to members of the pool, passing on various risk management techniques as well as pointing out any problems or lessons learned in dealing with other entities in the pool.
 - d. Put on educational seminars at regional meetings as well as periodically throughout the state. These could be expanded to invite experts in various areas of interest to the different entities.
 - e. Have actual visits by the risk managers of the pool to the various political subdivisions and assist in teaching these subdivisions various risk management techniques.
 - f. Assist each political subdivision in drafting their own risk management policy outlining their basic program and procedures in handling their risk management program.
 - g. Assist the local public entity in setting up proper exposure review procedures for new activities or operations. The committee could possibly be used in this regard or the political subdivision could avail themselves to the risk manager of the pool to seek guidance as respects increased exposures arising out of new activities contemplated by the member.
6. Communication. An ongoing and routine communication with each of the members of the pool would greatly enhance its success and lead to greater loss reduction and cost savings. That communication would take various forms including:
 - a. Safety engineers' and loss control representatives' visits to the premises.
 - b. Pool risk management visits to the premises and an annual review of the exposures with the entity coordinator.

- c. Possible initial survey of each entity with a report to the Board of that entity. With that report would be recommendations as to how the entity would handle the various exposures to loss that are in existence.
- d. Telephone contact with the entity as respects claim review and other ongoing problems.
- e. Assist the local entity in setting up the proper reporting procedures. Procedures need to be set up in advising the pool of new equipment and property values at risk as well as other changes in exposures. The update of these exposures will conceivably be done annually, but the procedures need to be set up in the local entity to keep track of these exposures throughout the year.

OREGON LOCAL GOVERNMENTS ASSOCIATION
COMMENTS REGARDING STATE LIABILITY FUND

We should set forth the listing of the advantages and disadvantages of the State Liability Fund before attempting to put together the mechanical aspects of whether or not members of the Local Governments Association can use this pool as a source of insurance coverage.

The obvious advantages seem to be:

1. The pool is established and is in business with claims facilities in place through the Attorney General's office.
2. The coverage offered is considered to be quite broad. There are not the usual insurance exclusions, and coverage is as broad as was intended by the Legislature in drafting the State Tort Liability Law.
3. In most instances, the premium cost seems to be reasonable and is generally very competitive with rates quoted by private carriers.
4. The Fund has good financial stability since coverages are subject to the credit of the State of Oregon.

There are certain disadvantages that the Fund has, some of which could possibly be cured by legislative action at some future time. These are classified as statutory or non-statutory disadvantages:

Statutory

1. The limits available are less than many public entities want to carry or should reasonably be carried. Present limits are \$50,000 for destruction of property and \$100,000 for all other claims, with a \$300,000 aggregate for all claims from a single occurrence.
2. There still remains some questionable areas of coverage as respects claims made under Federal acts and claims made against public entities out of the State of Oregon.
3. The State is not legally able to add other persons as named insureds under their policies. This eventually is going to create problems since many lease agreements contain conditions requiring a public entity to name a lessor.

4. The Legislature has granted the State of Oregon the authority to write liability coverages per the Oregon State Tort Law. At the present time the State cannot offer coverage in the areas of automobile physical damage, boiler machinery, fidelity coverage, plus other coverages. The pool plans to undertake these coverages and would have to look elsewhere if reinsurance was needed in these areas.
5. The tort law applies only to torts and it specifically excludes willful or wanton neglect of duty. At present, the state's coverage follows the tort law which may not provide the coverage in certain areas. An example would be false arrest where allegations often allege undue use of force, intentional acts, or activities beyond the duties normally assigned to law enforcement personnel.

Non-Statutory

1. There appears to be no commercial insurance markets willing to offer limits in excess of the coverage afforded by the State Liability Fund.
2. Though the credit of the State of Oregon is apparently supporting the Fund, some knowledgeable insurance underwriters question the lack of specific reinsurance of these funds.
3. There is no current program providing for retention of small or large losses, thus to an extent inhibiting good risk management practices. The Attorney General's office must handle all claims regardless of their size. This results in eliminating one of the benefits of having retentions, as many entities are capable of handling many of their own claims. This also reduces any cost savings in a retention or deductible because the State would have to have the same overhead, in fact maybe even more, by use of retentions by the various entities.
4. The State is presently staffed to handle the volume of business currently written. Because of budgetary requirements, it may be difficult for the State to gear up to handle the administration of the entire pool by the proposed effective date of 1/01/79.
5. The State does not presently have on its staff any engineer or loss control personnel. If the pool would use the facilities of the State, it would be necessary to gain legislative authority or budgetary authority to employ the needed loss control personnel.

6. A primary purpose of the pool is to bear the primary exposures in the different risk categories and reinsure the portion they cannot financially afford to bear. By transferring the risk of the primary liability exposure to the State of Oregon and paying the accompanying premium, it would defeat one primary purpose of the pool.

COMMENTS

In reviewing the actual mechanics and in discussions with the Department of General Services, because the State Liability Fund is in itself operating as a pool, and is offering facilities comparable to what the proposed local government pool would be prepared to offer, it would appear that there is little, if any, area for cooperation other than the recommendation that a local government unit insure its public liability coverages with the State. Of course, with that recommendation the pool would be effectively relinquishing any control other than advisories for members who elected to participate in the State of Oregon Liability Fund.

In considering all the advantages and disadvantages outlined above, it would be our recommendation to the pool that they not insure their primary liability exposure under the State of Oregon's Liability Fund. Our recommendation is based upon the fact that the disadvantages listed above more than outweigh the advantages offered by the State Liability Fund. The pool at the present time wants to undertake a greater risk management role and have the members of the pool share in the retention of risk to a level that each can afford. Without major legislative action, the State's program would not be able to respond to the present goals and needs of the pool.

The appendix contains a memorandum regarding Opinion 7643 of the Attorney General's office relative to the possibility of the State Liability Fund providing limits in excess of the statutory limitations of the Oregon Tort Claims Act.

TO: FILE
SUBJECT: STATE LIABILITY FUND - LIMITS
FROM: GIL S. HENDERSON
DATE: August 10, 1978

This memorandum refers to Opinion #7643 signed by James A. Redden, Attorney General, and dated June 27, 1978.

A question was presented by Dr. Milt Baum, Associate Superintendent of Management Services, Department of Education, as follows:

"Would the State Liability Fund be required to provide coverage for participating local bodies in excess of statutory limitations imposed by the Tort Claims Act (ORS 30.260 to 30.300) if such limitations were to be declared invalid or inapplicable by a court?"

The Attorney General's answer is in the negative, thus effectively clearing up a very gray area as respects limits provided by the State Liability Fund.

The Attorney General concludes that "regardless of the validity of the statutory limits upon governmental liability contained in ORS 30.270, the State is free to contractually limit the amount of government tort liability coverage it will provide pursuant to such contract."

Interestingly enough, this conclusion is further amplified by the statement:

"Our conclusion applies equally whether the statutory limits were to be held constitutionally invalid or whether a court, such as a federal court, were to determine that the statutory limits were inapplicable in a particular action, such as one brought pursuant to 42 USC, Section 1983."

Mr. Redden further concludes that:

"... the limits of the State Liability Fund coverage for local government tort liabilities, and the assessment thereof, are matters of contract to be determined by the Department of General Services and the respective contracting bodies. There is no requirement that the coverage be limitless or that the State insure local bodies for liabilities which exceed the amount specified in the Oregon Tort Claims Act. Rather it appears that the legislature intended that the State Fund coverage amounts be restricted to such limits."

STATE LIABILITY FUND - LIMITS
August 10, 1978
Page Two

At this point we have been unable to develop any market that will provide excess coverage over the limits provided by the State Liability Fund, and for this reason, in the majority of cases, we are reluctant to recommend acceptance of coverage with that Fund.

METHODOLOGY

The primary objective of this assignment was to determine if there was a sufficient insurance premium volume among interested local governments to permit the proper functioning of an insurance pool that could reasonably guarantee:

1. Some economies in property and casualty premium expense.
2. Reduced losses by adoption of effective programs of risk management.
3. Some stability to the marketing and pricing of that insurance necessary to the proper conduct of local government activities.

Each local government in the state was requested to furnish a letter of authority which authorized their respective local governments and the consultant to make the necessary investigation. 652 such letters were mailed.

A total of 194 letters were received and we accept this as an indication that 29% of the local governments in Oregon would subscribe to this program if there was reasonable assurance that the desired objectives could be accomplished.

It was the opinion of the consultants that valid data was available for the property insurance exposures from Insurance Services Office (ISO)

This office promulgates fire insurance rates on buildings and equipment in Oregon and also calculates average rates where various properties are insured under one blanket amount. Therefore, data was available from this source as respects values and rates, and from this information, estimated premiums could be calculated.

Because there is no comparable bureau for other coverages, it was necessary to solicit actual policies from those local governments which had furnished a letter of authority. Of the 194 local governments which furnished a letter of authority, 79 actually furnished insurance policies for our examination. This was about a 41% response.

Prior loss history was felt to be an important factor in this study, and 327 letters were mailed to insurance companies requesting verification of premium and loss information for the past three years. The response was minimal, less than 5%, hence we cannot furnish any valid statistical loss information.

It should be noted that the total premiums under Item 7 of Appendix A are non-property insurance premiums and were secured from only those local governments units furnishing policies. The data on Line 8, which includes property insurance premiums is representative of those governments shown on Line 2 who furnished the letter of authority, since property insurance information on the majority of the 194 government units was available through Insurance Services Office.

In calculating the fire insurance premiums, the records at ISO furnished the total values by each building and equipment, together with the average rate applicable to the properties insured by the local government. It was necessary to calculate total premiums by local government unit, and in doing so, certain assumptions were made:

1. All properties were insured for their new replacement value.
2. All properties were insured up to 90% of their new replacement value on a blanket basis.
3. All properties were insured with an insurer which allowed a 15% rate deviation from ISO rates.
4. All insureds carried a \$1,000 per occurrence deductible with appropriate rate credit.
5. All insurers required a 5% surcharge for blanketing policies.

This calculation produced a total property premium of \$1,982,090.

Based on the total premiums developed, we could project a total premium volume for property and casualty coverages of all local governments at \$15,688,176. This recognizes a input of 29% of the possible property premiums and 12% of the casualty premiums. Factors that would further influence total premium figures are:

1. If a new statement of values on buildings and equipment had not been filed with ISO in the past year, the values used could be understated by as much as 15% to 18%.

2. Many school district filings had not reflected a most recent 16% fire insurance rate increase, therefore, this could not be considered.
3. A large number of local governments are still filed under the Public and Institutional Property Form. A refiling under the Multiple Location Building and Equipment Rating Plan could produce a slightly lower overall premium.

The January 1978 report of Warren, McVey & Griffin trended total premiums for property and liability coverages at \$18,888,136, therefore our projections are within approximately 17% of that figure.

It is the opinion of the consultants that there is validity to the data that had been collected and that it is proper to use this data in future considerations.

The information recorded on Appendix A served a dual purpose:

1. A measurement of available premium volume of interested local governments, and
2. Confirmation that current local government premium volume is between 15 and 20 million dollars.

The premiums recorded and projected were in the following general insurance areas:

Fire Insurance
Inland Marine
General Liability
Automobile Liability
Automobile Physical Damage
Excess or Umbrella Liability
False Arrest
Public Officials Liability
Difference-In-Conditions Liability
Boiler and Machinery

Some refinement of these premium statistics was necessary since the fire insurance premium volume was recorded from the majority of the 194 local governments that originally responded, whereas the balance of the premium volume was secured from 79 local governments that submitted policies for examination.

Appendix B refines premium information recording only premiums from the local governments responding with policies, including the estimated fire insurance premiums developed from ISO.

Inland marine premiums (as such) have been eliminated from the statistics. The recorded premium volume was too small to be of any significance and it is believed that a certain amount of that premium was included along with liability premiums, but was not identifiable from the totals available. This would be particularly true with audio, visual, and scientific equipment in schools and road building equipment insured by counties.

Automobile physical damage coverage and automobile liability coverage was included under primary liability.

Appendices A and B were prepared for two different purposes, and what appears to be some discrepancies in the premium totals is created by the difference in the number of units introduced into the two exhibits, particularly for the property lines. Although a further audit is yet to be made, it is believed that the totals developed on exhibit B are valid for use in future projections.

INITIAL PREMIUM PROJECTIONS

Using the data from Appendix B, the average premium for each entity within the four groups can be calculated as follows:

| | | |
|--------------------|--------------------------|------------------|
| Cities | Total Premiums | \$1,924,518 |
| | Total Cities Analyzed | 40 |
| | Average Premium | <u>\$ 48,112</u> |
| Counties | Total Premiums | \$ 607,292 |
| | Total Counties Analyzed | 9 |
| | Average Premium | <u>\$ 67,476</u> |
| School Districts | Total Premiums | \$1,524,435 |
| | Total Districts Analyzed | 24 |
| | Average Premium | <u>\$ 63,518</u> |
| Community Colleges | Total Premiums | \$ 229,658 |
| | Total Colleges Analyzed | 5 |
| | Average Premium | <u>\$ 45,931</u> |

To some extent this surplus will be absorbed by:

1. The pool assumption of short rate penalties for those local governments entering the pool on the effective date but with policies in force. An estimate of this cost can be as follows:

A. Total premium paid by 79 local governments \$4,285,903

- B. Premiums are paid for one year in advance and are paid at varying times throughout the 12 month period at any given time during that 12 month period, a portion of the premium has been used up by the length of time the policy was in force and another portion is yet to be used because the policy still has some months until expiration. For purposes of this estimate, we assume that 50 percent of the premiums in A. above has been earned and 50 percent has yet to be earned. Therefore, it is estimated that on a pro rata basis, 50 percent of the total premium has yet to be earned.

Pro Rata Unearned Premium \$2,142,951

- C. Average short rate cancellation penalty
at six months is - 10%

| | | |
|-----------|---------------------------|------------------|
| ALL UNITS | TOTAL PREMIUMS | \$4,285,903 |
| | TOTAL UNITS ANALYZED | 79 |
| | AVERAGE PREMIUM ALL UNITS | <u>\$ 54,252</u> |

It is recognized that included in the above premiums are certain expenses normal to an insurance company (premium taxes, commissions, bureau fees, etc.) that will not be expenses, as such, to the pool. This figure can conservatively be estimated at 17 percent.

Because the preliminary decision has been made to insure all local governments entering the pool using the same premiums that were paid for the immediate prior year, with some discount for expense reduction, it is recommended that 10 percent of the 17 percent savings be allocated to premium reduction, leaving 7 percent of the reduction for creation of a pool surplus.

| | |
|-------------------------------------|----------|
| Current average premium, all units | \$54,252 |
| 10 percent premium reduction | 5,425 |
| 7 percent allocated to pool surplus | 3,798 |

Assuming all of the 79 units analyzed entered the pool, the "going-in" premium income and surplus would appear as:

| | |
|--|-----------|
| Average premium--above | \$ 54,252 |
| Average pool premium with 10 percent reduction | 48,827 |
| Average contribution to surplus | |
| (7% of \$54,252) | 3,798 |
| Total Surplus Created | |
| (79 units X \$3,798) | \$300,042 |

| | |
|---|------------|
| D. Cost to pool of absorption of short rate | |
| penalty - | \$ 214,295 |

2. There are certain valuable functions that have been performed by the agents that will now be the responsibility of the pool. To the extent that each local government can be persuaded to appoint a local agent or broker to function as their insurance counsel, the amount of work in assembling underwriting data by the administrator is reduced. Nevertheless, the pool has the primary responsibility for accumulation and recording of this data. The greatest expense is always in the first year, but is doubtful if that expense for the average local government would exceed \$1,000. This should be considered as a non-continuing expense since after the first year the administrative system and management information system will have captured and updated this essential information. Thus, accumulation of original data and recording of underwriting information is estimated as:

| | |
|--------------------|-----------|
| \$1,000 X 79 Units | \$ 79,000 |
|--------------------|-----------|

The foregoing information is set out in that manner to illustrate some average costs and savings that can be anticipated. This can be consolidated as:

| | |
|---|--------------|
| A. Projected initial premium for 79 units | \$4,285,903 |
| B. Less reimbursement for short rate cancellation penalties | (\$ 214,295) |

LIABILITY INSURANCE

The area of liability insurance encompasses the four coverages on which premiums were calculated.

| | |
|---|---------------------------|
| Primary Liability | \$1,999,693 |
| Excess Liability | 845,618 |
| False Arrest | 89,353 |
| Public Officials and Difference- in-Conditions | <u>104,164</u> |
| Total Premiums - this class | <u><u>\$3,038,828</u></u> |

The following comments are offered based on the policies reviewed with certain conclusions that will effect the marketability of the pool coverage to local governments and the acceptance of pool coverage to re-insurers.

1. At the primary liability level many local governments insure only for the limits of the Oregon Tort Law. Any increased limits offered by the pool on a mandatory basis will cause some premium increase for these units.
2. Generally, the primary coverage written is more restrictive than the pool may wish to offer. As broader forms offered by the pool include greater loss potential, loss payments will tend to rise.
3. The majority of excess insurance carried is truly excess, and not the broader form of "umbrella" liability. It is recommended that the pool offer only a broad umbrella form of liability coverage as primary coverage, and eliminate the need for issuing excess policies and arranging re-insurance thereon.
4. False arrest is a volatile coverage, and because of this, many underwriters are unwilling to include this coverage under primary liability contracts. Surplus line brokers have developed special facilities for this coverage and a Captive insurer in Bermuda was formed by a law enforcement association in an attempt to relieve the market shortage and comparative high premiums for this cover. If the pool is to offer a truly broad form of liability coverage, this should probably be included, but special deductibles should be considered and special re-insurance will probably be required.

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For future reference, the area of false arrest is a classic case of the lack of adequate risk management techniques on an industry-wide, state-wide level. The principal cause of loss appears to be the serving of out-dated or satisfied arrest warrants, resulting from lack of proper communication at all levels of law enforcement. The contemplated pool is the logical vehicle to establish the criteria for communication and to reduce the high frequency and expense of frivolous false arrest claims.

PROPERTY INSURANCE

Premiums for property insurance represented 28% of the total premiums reported, this following the usual distribution of local government insurance premiums between property premiums and casualty premiums.

Although valid rating data was available from Insurance Services Office, the new replacement values of insurable properties, buildings and equipment, would require verification and recording for the Management Information System on a form similar to that included in the Appendix. It is essential to the Pool that values be accurate, so that the Pool is assured of collecting premiums on a proper value and reinsurers are satisfied that primary premium levels are adequate for the values insured.

The records of the county assessors should be of considerable assistance, and cooperation in this area could be significant in the cost of accumulating valuation data.

It is probable that Insurance Services Office will discontinue the rating of buildings and equipment for local government units enrolled in the Pool, therefore a Pool rating system will require the administrator to accumulate information comparable to that shown on the form enclosed in the Appendix.

It is recommended that the property form include insurance against basically "all risks" excluding the hazards of earthquake, flood, landslide, backing up of sewers, surface waters, etc. While most local governments do not carry a form of "all risk" insurance, particularly on buildings, the application of the minimum \$1,000 deductible should not create a severe frequency of small claims.

Certain options should be left open to the decision of local governments, these in the areas of insurance on road building equipment, audio-visual instruction equipment, bridges and dams, etc. It is recommended that the administrator encourage the use of large deductibles, the establishment of local government self-insurance funds, and develop a schedule of rating credits appropriate to the assumption of risk by each local government.

PROJECTED POOL PARTICIPATION

It is not reasonable to assume that all 79 units will enter the pool at its inception date. It would be more prudent to expect a slippage of at least 15% which effectively lowers our estimated premium income at inception to \$3,640,301.

On the other side, it can be expected that since there were 115 units that furnished letters of authority but did not supply policies, some of that number will decide to enter. If 12 of the 155 entered, and the average premium held at \$23,061, this would increase premium income by \$276,732 to a total of \$3,917,033.

This estimate only accounts for 194 units out of 652, leaving 458 units uncommitted. It should be anticipated that if some direct contact were made, an additional 10 or 20 of these units would elect participation on the enrollment date. Using 15 additional units as a potential from this group, this develops an additional \$345,915 or a new total of \$4,262,948 as a budgeted premium income for the pool at inception.

Future projections will use a premium budget of \$4,260,000.

PROJECTED LOSS DEVELOPMENT

The current survey was unable to develop any valid loss data, and the lack of this information poses a serious handicap in accurately trending losses and in gaining firm re-insurance commitments.

Property and casualty rates are generally promulgated to produce a loss ratio of between 52% and 54%, and the current study did not produce any data which could either confirm or refute these figures.

The study of Warren, McVeigh, & Griffin indicated the trended property loss ratio of 27.32% and a trended liability loss ratio of 35.99%. However, these estimates were based on trended property premiums of slightly over \$8,000,000 and trended liability premiums of \$10,500,000. There is substantially greater stability in working with the \$18,000,000 premium than we would anticipate in working with a premium of \$4,260,000.

On the basis that the smaller premium volume can produce a more volatile loss ratio, it is recommended that the projected loss ratio for the property book of business be set at 50% of earned premium and the projected loss ratio for the liability book of business be set at 55% of earned premium.

There are certain factors considered in making this assessment, including:

1. Property losses on elementary and secondary schools have reportedly been substantial. A 16% rate increase applicable to the fire perils was granted in December 1977, and to some extent, this would bear out a deteriorating fire loss ratio. The correction of any adverse loss ratio is a function of rating and loss prevention, but any severe imbalance if school property insurance could create some distortion.
2. Inflation, while effecting the dollar value of property losses, also effects the dollar value of insured property. These factors are considered offsetting.
3. The minimum retention per loss (\$1,000) and the encouragement of higher retentions should have a modest to significant reducing effect on loss ratios.
4. Effective programs of loss prevention and accident reduction will ultimately reduce loss ratios, but this effect should not be noticeable in the first 24 months.

Using premiums from Appendix B, the premiums can be divided by class as follows:

| | |
|-----------------------------------|-------------------------------|
| Property Premiums or | \$1,213,072 28.3% of total |
| Liability Premiums or | \$3,038,828 70.9% of total |
| Boiler & Machinery Premiums or | \$ 34,003 .8% of total |

Using the revised premium income estimate of \$4,260,000, the percentage mix of business is estimated as follows:

| | |
|-----------------------------|------------------|
| Property Premiums | \$1,205,580 |
| Liability Premiums | \$3,020,340 |
| Boiler & Machinery Premiums | <u>\$ 34,080</u> |
| Total Premiums | \$4,260,000 |

The application of the projected loss ratios to the anticipated premiums appears as follows:

| | | | | |
|----------------------------------|--------------------|---|-----|--------------------|
| Property | \$1,205,580 | @ | 50% | \$ 602,790 |
| Liability | <u>\$3,020,340</u> | @ | 55% | \$1,661,187 |
| Total Premiums | <u>\$4,225,920</u> | | | |
| Total Losses | | | | <u>\$2,263,977</u> |
| Overall Loss Ratio - These Lines | | | | 53.57% |

In the loss account, legal expense and adjusting fees must be considered in the above figures. Although legal fees do not necessarily contribute substantially to property losses, a percentage allowance of 18% (Memo: August 14, 1978) is now added to the above total losses:

| | |
|---------------------------------------|-------------|
| Total Losses Including Adjusting Fees | \$2,671,492 |
| Overall Loss Ratio - These Lines | 63.21% |

As a pure accounting loss ratio, this percentage is overstated. Premiums are collected at the inception of the policy year and losses are paid out over an extended period of time.

On the property lines, the first losses would probably be paid 60 days after the beginning of the policy year and continue for 12 months from that date. The interest on this delayed outward cash flow would probably be about \$15,000.

On the liability lines, the time between loss occurrence and loss payment is even more substantial. A minimum average is probably three years, and the interest on this delayed outward cash flow is estimated at \$45,000. In relating this to the loss ratio, it would probably serve to effectively reduce the overall loss ratio to about 61%.

Some additional effect on loss ratios will result from increased retention of losses by some local governments. This will tend to reduce loss ratios and eventually reduce premiums paid into the pool.

These areas are difficult to project and therefore the effect of these items has not been reflected in the cash flow projections.

SUGGESTED POOL LOSS LIMITS

Anticipating a premium income as of the effective date of \$4,260,000, and loss and loss adjusting expense of 63.21% (\$2,692,746) a balance of \$1,567,254 is available for pool expenses and contributions to the surplus account. However, this does not provide any protection for the catastrophic loss which in one occurrence could exhaust the entire budgeted loss figure.

One solution to this problem would be to arrange a program with a reinsurance company, whereby in exchange for some premium they would agree to assume all losses which in the aggregate in any one year exceeded the aggregate loss amount the pool was willing to assume. This is referred to as an aggregate excess policy, but it is the opinion of the consultants that the current spread of risk, the general size, and the lack of valid loss data preclude the purchase of such insurance at a reasonable premium.

A more acceptable approach is to attempt the purchase of reinsurance by line of coverage, so that the liability of the pool is limited on any one loss. This type of pool could appear as follows:

PROPERTY INSURANCE

| | |
|---|-------------|
| Estimated Premium Income | \$1,200,000 |
| Pool Assumption - Each Loss | 500,000 |
| Reinsurance Assumption: | |
| 1st Layer - \$2,000,000 excess of \$500,000 | |
| 2nd Layer - \$5,000,000 excess of \$2,500,000 | |
| 3rd Layer - \$2,500,000 excess of \$7,500,000 | |

Based on projected enrollment, we estimate this reinsurance could be purchased for between \$200,000 and \$250,000.

PRIMARY LIABILITY INSURANCE

| | |
|---|-------------|
| Estimated Premium Income | \$2,000,000 |
| Pool Assumption - Each Loss | 500,000 |
| Reinsurance Assumption | |
| 1st Layer - \$1,000,000 excess of \$500,000 | |

Based on projected enrollment, we estimate this reinsurance could be purchased for between \$400,000 and \$500,000.

If reinsurance can be secured for \$750,000 or less, this will be well within the pool's financial ability as illustrated on the abbreviated statement of cash flow.

OREGON GOVERNMENTAL INSURANCE POOL
PROJECTED FIVE YEAR CASH FLOW STATEMENT
(000 OMITTED)

| | <u>1979- 1980</u> | <u>1980- 1981</u> | <u>1981- 1982</u> | <u>1982- 1983</u> | <u>1983- 1984</u> |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| 1) Estimated Premium Income | \$4,260 | \$4,703 | \$5,153 | \$5,612 | \$6,080 |
| 2) Initial Organizational Expense | <u>- 293</u> | <u>- 17</u> | <u>- 17</u> | <u>- 17</u> | <u>- 17</u> |
| 3) Balance Available | \$3,967 | \$4,686 | \$5,136 | \$5,595 | \$6,063 |
| 4) Estimated Loss & Loss Adjustment Expense | <u>-2,693</u> | <u>-2,972</u> | <u>-3,214</u> | <u>-3,481</u> | <u>-3,664</u> |
| 5) Underwriting Profit Before Expenses | \$1,274 | \$1,714 | \$1,922 | \$2,114 | \$2,399 |
| 6) Estimated Reinsurance Premium | <u>- 750</u> | <u>- 825</u> | <u>- 904</u> | <u>- 931</u> | <u>-1,066</u> |
| 7) Balance for Administrative Cost & Contribution to Surplus | \$ 524 | \$ 889 | \$1,018 | \$1,183 | \$1,333 |
| 8) Administrative Expense | <u>- 396</u> | <u>- 423</u> | <u>- 453</u> | <u>- 485</u> | <u>- 516</u> |
| 9) Balance to Surplus Account | <u>\$ 128</u> | <u>\$ 466</u> | <u>\$ 565</u> | <u>\$ 698</u> | <u>\$ 817</u> |

EXPLANATION OF ITEM HEADINGS
ON CASH FLOW STATEMENT

1. ESTIMATED PREMIUM INCOME

The method of estimating the first year premium was explained under the section headed Projected Pool Participation. First year premium projections were estimated at \$4,260,000.

For the the ensuing four years, it is anticipated that a minimum of 15 units per year could enter the pool. Using estimated average premiums per unit of \$23,601, an additional \$346,000 of annual premium income is anticipated.

As an inflationary consideration on the values of buildings and equipment, an 8% inflationary factor has been introduced and compounded for the remaining four years of the projection.

2. INITIAL ORGANIZATION EXPENSE

For the first year, estimated short rate cancellation premium credits and cost of accumulation of original data, is estimated at \$293,295. The cost of data accumulation after the first year should properly be a charge to administration, so no allowance has been made for that element after 1979-80.

Short rate cancellation credits will continue (at a reduced rate) since units will continue to enter the plan with policies in force. This cost estimated at \$17,000 per year, was estimated in the same manner as was the original cost of cancelling policies short rate.

4. ESTIMATED LOSS AND LOSS ADJUSTING EXPENSE

The total loss figures allow for an 18% loss adjusting expense. It is recognized that this is a conservative figure, but contemplates the possibility that a qualified administrator can handle many property losses at a cost that is possibly lower than contract adjusters.

Initial projections indicate a loss ratio of 53.57%, but some improvement in this estimate must be anticipated if the application of risk management technique is effective. Such effect will probably not be noticable until the third year, and then only in very modest amounts. In the interest of retaining this conservative posture, the estimated loss ratios have been reduced by one half of 1% each year for the last three years of the projection.

6. ESTIMATED REINSURANCE PREMIUM

Because casualty risks predominate, the projected reinsurance premiums are heaviest for those exposures. The pool retention has been projected at the same level for all five years, and because of the large number of variables that are unpredictable, it would be imprudent to attempt to influence these costs for any period in the future.

Future reinsurance costs will be largely dependant upon the pool experience on the property and liability book of business. If losses and loss reserves develop at the projected levels or lower than the projected levels, reinsurance premiums may be overstated. If projection for losses and loss reserves are understated, reinsurance costs will rise. The ultimate level can only be determined with any accuracy six to twelve months in advance of the inception of a policy year.

8. ADMINISTRATIVE EXPENSE

It is estimated that administrative costs will be between 7% and 10% of paid premium, if that premium is in the vicinity of \$4,000,000. With a lower premium volume, administrative expenses would not be reduced materially.

Administrative costs will not increase in direct proportion to premium income. While average premium size, per insured local government, will be a significant contributing factor, geographic dispersion and accident frequency will also be significant factors.

Administrative costs as a percentage of premium income, will gradually reduce as premium income rises, although the actual number of persons required for complete administration should not increase significantly until premium volume exceeds \$6,000,000 or \$7,000,000.

To make the pooling a cost effective vehicle for local governments, it is estimated that the following personnel would be required to properly administer the pool premium volume of \$4,000,000:

- Risk Manager
- Assistant Risk Manager
- Technical Services person
- Safety & Loss Prevention person
- Claims Secretary
- Clerical (3)

This is slightly less than the number of persons projected in the comments on administration.

AVAILABILITY OF ON-SITE ADJUSTING FACILITIES
THROUGHOUT THE STATE OF OREGON

A survey was made of the known adjusting firms in the State of Oregon where it was determined that adequate representation was available. Invitations were made to 21 firms requesting that they furnish information on their facilities, personnel, prices and the areas served, as well as other pertinent information which would be of assistance in making an evaluation. Sixteen responses were received, and from the review of this information, it has been determined there are adequate contract adjusting facilities available to the pool.

Included in the appendix are copies of letters that were received from:

Underwriters Adjusting Company
Oregon Claims Service Inc.
Tobin, Crawford & Mikolavich, Inc.
Industrial Claims Service
GAB Business Services, Inc.
Lewis H. Clark & Co.
VanDoern & Associates
Central Oregon Claims
Pioneer Adjustment Co.
T. C. Groomes & Co.
Brown Brothers Adjusters
Crawford & Company

These letters accurately describe the facilities available and in most cases were accompanied with their supplemental material, which is available in the office of Fred. S. James & Co.

In order to create a geographical profile of these facilities, the state was divided into eleven areas, by counties. Determination was made of adjusting firms with offices in each of these areas. Because many adjustors regularly service territories in which they do not have offices, a determination was also made as to the number of adjusting firms that provide services in areas where offices are not maintained.

The results of this analysis are shown following this section of the report.

By way of explanation, there are no adjustors with offices in Clatsop and Tillamook Counties; however, there are nine adjusting firms that regularly service that area. The same situation is true in Area No. 8, Harney and Malheur Counties; however, there are only two firms that regularly service that area.

It would appear that the General Adjustment Bureau is probably the most qualified, both as respects staff and facilities, and although there may have been adjustors with greater experience in handling public entity business, the advantages of consolidating all loss adjusting facilities into one responsible office will provide significant cost reduction and increase claims efficiency.

Probably the greatest advantage of the General Adjustment Bureau facility is their data processing capability. If reasonable terms can be negotiated, the recording of statistical loss data by the Bureau would relieve the pool of separately contracting for these services or manually recording this information. While an analysis of costs and capability would be advisable, there appear to be obvious advantages of accumulation of loss data directly by adjustors.

A consolidation of adjusting authority with one responsible firm not only reduces staff claims time, but furnishes the administrator with an effective device for requiring maximum adjusting services.

If an adjusting firm is selected that does not have representatives in all areas of the State, negotiations can require appointment of sub-adjusters in the local areas, so that travel time and expense can be held to a minimum.

It is recommended that claims adjusting be a contract service during the first few years, and depending upon concentration of business and loss frequency, staff adjusting facilities should be considered at a later date.

| <u>Area #</u> | <u>County</u> | <u>Number of Adjusting Firms with Offices</u> | <u>Number of Adjusting Firms Providing Services Only</u> |
|---------------|---|---|--|
| Area 1 | Columbia, Washington, Multnomah, Clackamas | 11 | 0 |
| Area 2 | Clatsop, Tillamook | 0 | 9 |
| Area 3 | Yamhill, Lincoln, Polk, Benton, Linn, Marion | 6 | 5 |
| Area 4 | Lane, Douglas (Inland) | 3 | 6 |
| Area 5 | Lane, Douglas, Coos, Curry | 4 | 6 |
| Area 6 | Josephine, Jackson | 6 | 1 |
| Area 7 | Klamath, Lake | 3 | 5 |
| Area 8 | Harney, Malheur | 0 | 2 |
| Area 9 | Grant, Union, Wallowa Umatilla, Baker | 4 | 0 |
| Area 10 | Moro, Gilliam, Wasco, Hood River, Wheeler | 1 | 3 |
| Area 11 | Jefferson, Deschutes Crook | 4 | 0 |

SUPPLEMENTAL CLAIMS ACTIVITIES

Of primary importance, is a system whereby prompt notice of claims is furnished to reinsurers or to excess insurers in accordance with their insurance policy. Such notification should be the responsibility of the administrator or the excess insurance broker, but however delegated, it is essential that the reinsurance policy conditions be strictly adhered to as respects notification on appropriate claims.

On the payment of property claims, the claims secretary should be prepared to issue pool claim drafts within 24 hours from receipt of the proof of loss, which will be delivered either by the adjuster or furnished directly by the insured local government. The authority for executing drafts should be drawn along the following lines:

Drafts \$0 to \$5,000 - require signatures of the claims secretary and one clerk.

Drafts \$5,000 to \$50,000 - require signatures of the claims secretary and assistant administrator

Drafts \$50,000 and over - require signatures of the claims secretary and administrator.

Payment of liability claims will usually be coordinated with defense counsel when such counsel is active in the settlement of the claim. Adjusters will frequently arrange proper settlements, and payment should be made as soon as practicable after receipt of the properly executed release.

Draft authority on liability claims can be delegated somewhat along the lines as property claims, except that the respective amounts should probably be reduced, so as to bring the administrator and assistant administrator into close contact on this type of claim.

The claims secretary should be assigned responsibility for all drafts issued against the Loss Account, for the balancing of the Loss Account and for the recording of all paid claims.

At such time as any claim is closed, a form should be furnished to the local government, preferably to the holder of the claims manual, indicating the amount of the settlement and the date paid. Duplicate copies should be furnished to the Management Information System.

It is recommended that legal counsel to the pool be used to assist in the selection of local defense counsel on litigated third-party claims. Inasmuch as the pool will require legal counsel on other matters, it would appear prudent to use such counsel in the determination of appropriate defense counsel. Pre selection of such defense counsel is not recommended.

CLAIMS MANAGEMENT

It is recommended that the administrator in conjunction with the claims secretary prepare a complete claims manual for every insured local government. To improve the effectiveness of such a manual, each local government should designate that person to whom all claims matters are to be channeled, and that person will be the claims contact between the pool claims secretary and insured local government. That person would also have responsibility for maintenance of the claims manual and knowledge of expected claims procedures.

All of the following items would be included in the claims manual, with supplemental items added as conditions change.

COMMUNICATION ON CLAIMS MATTER

Claims Reporting

The administrator and claims secretary should designate and distribute claims reporting forms that will be compatible with the Management Information System for statistical reporting of claims matters. The actual design of such forms should be in counsel with the primary adjusting firm. Sample copies of proposed claim forms are included in the appendix.

It is recommended that originally two forms be devised. One for property claims and one for liability claims, color coded for ease in identifying in the Administrative Claims Office. These should be a three part snapout form with the original and one copy furnished to the pool claims secretary and one copy held in the local government claim manual.

Local governments should be supplied with color coded, self addressed claims envelopes for ease in identifying at the Administrator's Office.

The administrator and claims department must furnish 24 hour seven day a week response to the claims reports from insured local governments.

Claims Processing

Upon receipt of all claims, numbers and files must be established for purposes of identification with adjusters, local governments and management information systems. A recommendation of such numbering would include:

Example

| | |
|--------------------|-----------|
| Day | 10 |
| Month | March |
| Year | 1981 |
| Property/Casualty | P |
| Numerical | 478 |
| Claims No. Appears | 10381P478 |

The claims secretary must be prepared to furnish response to receipt of claims notification within 24 hours. Depending upon the nature and severity of the claim, and the need for contract adjusting services, the insured local government

must be advised as to the procedures that will be undertaken by the claims secretary.

At the time each local government is enrolled in the pool, determinations must be made as to what local repair facilities are available, either within the staff of the local government, or in the immediate geographical vicinity. These persons or firms should be registered in the office of the claims secretary so that prompt response to emergency needs for repair and protection of property can be met.

The original of the claims reporting form should be retained in the numbered claims file, and one copy furnished immediately to the administrators accident prevention and safety personnel for review and recommendations.

The claims secretary should install a system of frequent and constant supervision with contract adjusters to assure prompt attention in closing of all claims. It is essential that all policyholders be regularly advised as to the status of open claims and that concentrated efforts be made to close files to prevent future distortion of claims history.

ACCIDENT REPORTING FORMS

As a general rule, local governments should only require custom-made claims forms which will be adaptable to the Management Information System. The actual design of such forms should be coordinated with the contract adjusting facility and the data processing facility.

As a guide, three forms have been drafted which are designed to capture essential claims information, assist in localizing hazard areas, furnish statistical accident information, and provide a guide for future accident prevention activities.

Form #1 is an automobile accident report form that would normally be completed from information collected at the accident scene. (All local government vehicles, except law enforcement cars, should be supplied with short accident report forms that can be carried in the glove compartment.) This completed form will be mailed to the Pool Claims Secretary.

Form #2 is an incident report form used for non-automobile accidents exclusive of school accidents.

Form #3 is an incident report form used by elementary and secondary school districts to report student accidents. It is essential that all such incidents be reported, even though the injury appears insignificant. The Pool Claims Secretary will make the determination as respects further investigation.

A property loss claims form has not been drafted. Considering that many property claims will be less than a deductible amount, it may be more efficient to report property claims by telephone. Capturing substantial amounts of detail concerning a property loss is not as critical as it is in third party claims. Therefore, it is recommended that at least at inception, written reports of property losses not be required.

FORM 1

OREGON GOVERNMENTAL INSURANCE POOL

ACCIDENT REPORT

Date of loss _____ Time _____

Location _____
(Street names, Highway names or numbers, distance and direction from
the nearest city or town)

Insured Vehicle:

Year _____ Make _____ Body Style _____ Serial Number _____

License Number _____ Company Number _____

Where is insured vehicle? _____
(Name of shop or towing company, address and phone number)

Describe damage _____

Insured Driver:

Name _____ Address _____

Telephone _____ Age _____ Relation to Insured _____
(Home)

Other Vehicles:

Year _____ Make _____ Body Style _____ License Number _____

Owner _____ Address _____

Telephone Numbers: _____
(Home) (Business)

Where is this vehicle? _____

Describe Damage _____

Driver _____ Address _____

Telephone Numbers: _____ Age _____
(Home) (Business)

Name of Agent and/or Insurance Company _____

2

Persons Injured:

| Names | Addresses and Telephone Numbers | Age |
|-------|------------------------------------|-----|
| | | |
| | | |
| | | |
| | | |

Witnesses:

| Names | Addresses and Telephone Numbers | Where were they at time accident occurred? |
|-------|------------------------------------|---|
| | | |
| | | |
| | | |

Police Information:

| State Highway Patrol | Name of Officers |
|----------------------|------------------|
| County | Badge Numbers |
| City | |
| | |
| | |

Details of Accident or Loss:

Describe where each vehicle was before the accident: Direction of travel, which lane, stop signs or traffic lights for each. State what happened to cause the accident. Describe weather and road conditions, and in the case of log trucks, whether loaded or empty. Add any details which will help the adjuster to determine responsibility for each driver involved.

OREGON GOVERNMENTAL INSURANCE POOL
INCIDENT REPORT FORMS
PUBLIC ACCIDENT REPORTING PROCEDURE

I. General Instructions:

In the event of an accident on the premises (other than an employee injury) the following instructions are to be followed:

1. If injury is of a severe nature, accident should be reported immediately by telephone to Claims Secretary, Oregon Governmental Insurance Pool, 123-4567. The usual written report should follow in the customary manner.
2. Offer help and first aid if indicated.
3. Answer the questions below; prepare this report COMPLETELY.
4. Refrain from any discussion of "Who is to blame", "liability", etc. Offer only help, seek only information, not vice-versa.

II. Accident Report:

1. Date of Accident _____ 2. Time _____
3. Location _____
(Street Address) (City)
4. Name of Injured _____ 5. Age _____
6. Address _____
City & State _____
7. If a minor, parent's name _____
8. Telephone _____
9. Reported by _____
10. Describe accident _____

(If additional space is needed, use reverse side.)

2

11. Cause (Check One): A. Carelessness _____ B. Infraction of Sign
 _____ C. Other _____

12. Nature of Injury _____

(If additional space is needed, use reverse side)

13. Was first aid given? _____ Describe _____

14. Witness to accident (name, address, phone) _____

15. Time of injury _____ .M. Time report made _____ .M.

16. If injured gives any indication of being in need of a physician's attention (always give them the benefit of the doubt), advise the party to visit his or her family doctor, get the doctor's name, and offer to make an appointment.

Dr. _____ Address _____

Telephone _____

Should the injured live out of the city, or have no preference as to doctor, direct him to the nearest hospital Emergency Room.

Name & Location of Hospital _____

If the injured party has no means of transportation, arrange for transportation (employee car, ambulance, etc.)

Signed _____
 Title _____
 Date _____

Noted by management: _____ Date _____

Copy sent to Oregon Governmental Insurance Pool
 Salem, Oregon

By: _____ Date _____

FORM 3

STUDENT INCIDENT REPORT FORM

A reportable student incident is an incident occurring while the student is under school jurisdiction resulting in bodily injury that does or does not require first aid treatment or professional medical attention.

SCHOOL NAME _____ DATE REPORTED _____

Student's Name _____ Grade ____ Age ____ Sex ____

Address _____

Parent's Name _____ Home Phone _____ Bus. Phone _____

Date of Incident _____ Time _____ Day of Week _____

Where did Incident Happen? _____ Who was supervising? _____

How did Incident happen? (Describe fully, stating whether student fell, was pushed, etc.)

Description of Injury, Extent, and Part of Body Involved _____

Procedure Followed and First Aid Rendered _____

Who Administered First Aid? (Name and Title) _____

Were Others Involved? ____ No ____ Yes. State Names _____

What action is being taken to prevent reoccurrence? (If Applicable) _____

Name of Witnesses _____

Were Parents or Others notified? ____ No ____ Yes. Name of Person notified _____

Was School Insurance Form requested? ____ No ____ Yes. Date Sent _____

Signature of Person Completing Report _____ Title _____

Signature of Principal _____ Date _____

COPY DISTRIBUTION:

- 1 -
- 2 - Oregon Governmental Insurance Pool
- 3 -
- 4 -

RECORD KEEPING & DATA PROCESSING

The following areas will require accumulation and retention of statistical information;

1. Values of all properties owned by local governments. This will include buildings, their contents, movable equipment, automobiles, road building equipment, etc. This data will have to be created in such a way that values on individual buildings, their contents, and individual pieces of equipment can be adjusted to allow for additions, remodeling, inflation, etc. It is not recommended that depreciation factors be established since all property should be insured on the basis of full replacement value.

2. Loss data which would include:

- Date of loss
- Time of day
- Type of loss
- Individual involved
- Narrative description
- Estimated reserve
- Final payment
- Adjusting fees
- Legal expense

The accumulation of this data is essential for the overall management of each individual risk as well as the management of the

pool. The areas of subsequent debit or credit ratings, safety management, accident prevention, reinsurance costs, etc. will all be dependent upon the accumulation of this data.

It is not recommended that the pool administrator attempt to secure a electronic data processing program and facilities at the inception of the pool. The following factors are offered in support of this opinion:

1. The beginning size of the pool and the number of participants should permit the manual accumulation of this data.
2. Because the pool is in its formative stages, it can be expected that some alterations will be made in the manner which data is accumulated and recorded. Such changes could involve expensive reprogramming costs.
3. The pool administration should remain flexible as respects personnel, and it could be anticipated that pool staff personnel should be able to assume these responsibilities for the first 18 to 24 months, or until there is some stabilization among participants, losses, etc.

With specific reference to building and equipment values, this information is going to have to be manually accumulated in the beginning, either by use

of existing records, such as appraisals, ISO values, etc. It is believed that the overall system will be much more sensitive to proper establishment of these values if the original accumulation of data is extended by the administrative staff.

Although no costs have been solicited for programming or other data processing costs, it is believed that at the inception of the program, manual accumulation of records would be less expensive than using available data processing methods. One possible exception to this recommendation would be the cost of data processing facilities if done by adjustors with capabilities similar to those offered by the General Adjustment Bureau.

ANTICIPATED EFFECT OF THE PASSAGE OF
TAX LIMITATION MEASURES ON THE FORMATION AND
LONG TERM OPERATION OF THE
OREGON GOVERNMENTAL INSURANCE POOL

Although no concentrated effort was made to solicit opinions on this subject, the following thoughts may be of some assistance in evaluating the probable success of this pool. The consultants do not claim expertise in the ultimate effects of legislation of this type, but view such legislation as a possible reduction in the funds available to local government and from that premise, the effect on insurance, risk management, and the Oregon Governmental Insurance Pool have been drawn.

Historically, insurance has been sold by agents or brokers and has been purchased by administrators in local governments. Risks have not been managed to the extent that: accident-causing hazards have been reduced or eliminated; risks have been transferred to others, nor has safety been emphasized to the point of significant loss prevention.

Insurance does not normally represent a large percentage in the budget of any local government, and therefore, is looked upon as some protection to the assets of the local government and to the personal assets of elected and appointed officials. Any reduction in the income available for governmental operations will eventually shift down to the costs of insurance, although in the final analysis, it is doubtful if insurance purchases will be discontinued because of a shortage of funds.

It is probable that with the proper emphasis, reduced availability of premium dollars can create additional interest in risk management techniques, the reduction or elimination of hazards and accident prevention methods that cannot only reduce insured and uninsured losses, but can effect some probable savings. This could be a very positive factor and would undoubtedly be prominent in the area of workers' compensation insurance, although this item is frequently handled as a personnel matter rather than as a line item in the insurance budget.

The consultants are of the opinion that these possible reductions of funds could inhibit the creation of the self-insurance fund or any loss fund, and conceivably could cause a diversion of existing loss reserves to more essential governmental functions. This would indicate that local governments may not be able to absorb increased deductibles and loss retentions that normally are considered part of sound risk management programs.

To the extent that high retentions offer substantially reduced premiums, there may be additional risk taking by local governments, thus encouraging development of good risk management techniques.

It is very conceivable that those local governments currently employing persons in the area of safety, and loss prevention could declare those positions vacant because of reduced income. This would normally be considered to have an adverse effect on the insurance exposures of the local government, but could at the same time, place an increased demand on qualified services to be provided by the pool or by private insurers.

Reduced availability of funds could result in some lack of maintenance of properties with a corresponding increase in the exposure of property to loss. Upgrading of properties in terms of installation of fire protected devices, intrusion alarms, etc., could be delayed, thus permitting some increase in claims frequency in this area.

It is also probable that new construction would be curtailed and use of outdated or unsafe facilities would be continued, thus creating another factor in the probable loss frequency. To the extent that programs sponsored by local governments are reduced, insurance premiums will likewise reduce but not in direct proportion to the program reduction. The factors that are considered in this rate making process would not be materially effected by discontinuance of certain public aid programs, senior citizens programs, increase in the student-teacher ratio or reduction in the use of vehicles, unless vehicles were actually eliminated. Because it would not appear that the essential elements going into the creation of insurance rates would be reduced, it is unlikely that any significant premium reductions could be attributed to tax limitation measures.

Summarizing, it is the opinion of the consultants that the passage of any tax-limiting measures will not immediately effect the insurance purchases of local governments, except to create a greater awareness on the prudent purchase of insurance. Secondarily, it is believed that a greater interest in self-insurance or pooling could result, and to this extent, the possible success of a state wide pool could be enhanced.

PROJECTED TIME SCHEDULE FOR CREATION OF
OREGON GOVERNMENTAL INSURANCE POOL

From the date that the decision is made to create the Oregon Governmental Insurance Pool, certain time will be required to establish the insurance mechanisms. The principal activity would appear to be in the areas of administration, local government contact and solicitation, form design, recording of underwriting data, creation of loss adjusting facilities and negotiations for reinsurance.

The following analysis projects a suggested time for creation of these facilities.

I. ADMINISTRATIVE DECISION - STAFF OR CONTRACT

This may properly be the function of the Board of Representatives created by the intergovernmental agreement, and in this situation, commitments from local governments would have to be secured before the administrative function could be outlined or implemented. Nevertheless, whenever that decision is made, it will probably rest with two options, one option being staff administrators functioning as employees of the Board of Representatives under the intergovernmental agreement, or alternatively, contract administrators functioning as independent contractors with activity guidelines as prescribed by the Board of Representatives.

A. STAFF ADMINISTRATION

This would probably require a minimum period of 90 days for selection of an administrative head or risk manager, and possibly an additional 30 days for selection and securing of staff positions, principally technical services, safety and loss prevention personnel and claims.

B. CONTRACT ADMINISTRATION

This could probably be effected in less time since such a firm should have a large number of qualified personnel available that could be assigned pool administrative functions without a time-consuming job-change activity. The necessary interviews in selection of such an administrator should not exceed 60 days.

II. CONTACT & SOLICITATION

This would involve the actual solicitation of subscriptions, explanation of the pool function at regional meetings, securing signatures on the intergovernmental agreement, development of factual loss information and preparation of firm quotations for coverages. With four persons working full time, it is estimated that this activity would require four weeks.

It would be anticipated that the private sector of the insurance industry would respond forcibly to a program of this type if it appeared that there was any significant support of the program among local government units. The appointment and support of local insurance counsel to each governmental unit would decrease the time expended in this effort.

III. FORM DESIGN-CREATION OF LOSS ADJUSTING FACILITIES, COMPILATION & CREATION OF UNDERWRITING DATA

This should be an ongoing function with the contact and solicitation above, and depending upon the availability of personnel, this work should be accomplished within the four weeks recommended above.

IV. REINSURANCE FUNCTION

This will require the same negotiating time regardless whether the administrator is a qualified insurance broker or an outside insurance broker places this reinsurance. It cannot be accomplished until firm commitments regarding premiums and losses are in hand, and the amounts of retention for the local government unit and the pool have been established. It is estimated this would require a minimum of three weeks.

RECOMMENDATIONS

It is recommended that a minimum of four and one half to five and one half months be allowed for the actual creation of the pool after the decision is made to create the pool.

Considering that this is occurring during a legislative year, and with a possible insurance effective date of May 1 or June 1, a delay until July 1 could be desirable. This date coincides with the fiscal year for governmental units and is a common insurance expiration date.

If the insurance market continues its trend toward improved underwriting results, it can be anticipated that the proposed insurance solutions that would be offered by the Oregon Governmental Insurance Pool will be less in demand in a competitive insurance market. However, any such pool must stand the test of time, and with the historic fluxuations in the insurance market, it could be anticipated that such fluxuations will have a continuing influence on any pooling concept.

LOCAL GOVERNMENTS ASSOCIATION

NOTES TO STATISTICAL EXHIBITS

1. The cutoff date for introduction of premium data was August 26, 1978 and although a very few policies were received after that date, that information was not calculated in these exhibits.
2. Some policies received were incomplete as to premium and coverage data. Where indicated, a judgment was made as to the premium for a specific coverage.
3. Not all local governments carry identical coverage. Therefore, the total premiums by line-of-coverage will not necessarily equal the same number of policies for all entities.
4. Certain premiums in the liability area are indivisible as between coverages. In these instances, the entire premium was entered into the general and automobile liability category.
5. Fidelity bonds generally do not exhibit premium charges so no attempt was made to record these premiums.

APPENDIX A
STATISTICS ON OVERALL PARTICIPATION

| | Cities | Counties | School Districts | Community Colleges | Totals |
|---|-------------|-----------|---------------------|-----------------------|-------------|
| 1. Total number of Local Governments | 240 | 36 | 363 | 13 | 652 |
| 2. Number of Local Governments furnishing letter of authority | 110 | 18 | 53 | 13 | 194 |
| 3. % of Local Governments furnishing letter of authority | 46% | 50% | 15% | 100% | 29% |
| 4. Number of Local Governments furnishing insurance policies | 40 | 9 | 25 | 5 | 79 |
| 5. % of all Local Governments furnishing insurance policies | 16% | 25% | 7% | 38% | 12% |
| 6. % of responding Local Governments furnishing insurance policies | 36% | 50% | 47% | 38% | 41% |
| 7. Total premiums on policies examined. Exclusive of property fire insurance. | \$1,460,649 | \$304,647 | \$ 696,291 | \$105,894 | \$2,567,481 |
| 8. Total premium on policies examined. Inclusive of property fire insurance | 1,748,178 | 440,728 | 1,899,711 | 460,954 | 4,549,571 |

APPENDIX B

| Local Government Group | Property | Primary Liab. | Excess Liab. | False Arrest | Public Officials, DIC | Boiler & Mach. | Total |
|--------------------------------------|--------------------|--------------------|------------------|-----------------|-----------------------|-----------------|--------------------|
| CITIES | *(40) \$ 156,727 | (31) \$1,053,747 | (8) \$595,584 | (22) \$61,944 | (16) \$ 47,366 | (13) \$ 9,150 | \$1,924,518 |
| COUNTIES | (9) 72,313 | (9) 406,558 | (4) 79,551 | (5) 27,409 | (4) 17,432 | (5) 4,029 | 607,292 |
| SCHOOLS DISTRICTS | (25) 858,107 | (24) 480,412 | (11) 133,288 | | (15) 34,192 | (16) 18,436 | 1,524,435 |
| COMMUNITY COLLEGES | (5) 125,925 | (4) 58,976 | (5) 37,195 | | (2) 5,174 | (3) 2,388 | 229,658 |
| TOTAL PROPERTY PREMIUM | <u>\$1,213,072</u> | | | | | | |
| TOTAL PRIMARY LIABILITY PREMIUM | | <u>\$1,999,693</u> | | | | | |
| TOTAL EXCESS LIABILITY PREMIUM | | | <u>\$845,618</u> | | | | |
| TOTAL FALSE ARREST PREMIUM | | | | <u>\$89,353</u> | | | |
| TOTAL PUBLIC OFFICIALS & DIC PREMIUM | | | | | <u>\$104,164</u> | | |
| TOTAL BOILER & MACHINERY PREMIUM | | | | | | <u>\$34,003</u> | |
| GRAND TOTAL ALL PREMIUMS | | | | | | | <u>\$4,285,903</u> |

*Number of Units Included

MEMORANDUM

TO: LOCAL GOVERNMENTS ASSOCIATION

FROM: WILLIAM H. LILLY

DATE: JUNE 15, 1978

SUBJECT: PROCEDURES TO BE FOLLOWED BY JAMES IN
DEVELOPMENT OF BASIC UNDERWRITING INFORMATION

We are reluctant to send out detailed questionnaires to local governments responding to our initial letter. It is our thought that certain essential information may be available through other sources and at considerably less inconvenience to the local government. We have outlined a procedure below and we will know if this is effective within a very few days and if for some reason it is not workable, we do not feel that substantial time has been lost.

Our current thinking is that we want to solicit basic underwriting information for the following coverages:

- A. Comprehensive general and automobile liability including automobile physical damage.
- B. Public officials liability.
- C. Dishonesty/crime/money and securities.
- D. Inland marine coverages.
- E. Fire insurance - all property.

Our initial proposal for securing data will follow the pattern set forth below:

- A. Comprehensive general and automobile liability and automobile physical damage.

In discussions with Bruce Hoffmeister at the Department of General Services, he has completed applications for approximately 200 local governments. Bruce has indicated that with the approval of the head of the Department of General Services, he will release application material to us. This would effectively duplicate the kind of material we would have to solicit from local governments recognizing that it may be six months to one year out of date.

For those local governments who do not have records in the Department of General Services, we would propose a telephone contact, requesting that they furnish us with a copy of their current policy and at the same time request that either they or their local agent furnish us with a copy of past loss experience.

-2-

If the loss experience is not immediately available, we would propose to file a copy of the letter of authority with the insurance company requesting that information.

B.C.&D. - Public Officials Liability; Dishonesty/crime/money and securities; inland marine coverages

We will contact the local governments by telephone requesting a copy of the policies and loss information when available.

If loss information is not available, we will file a copy of the letter of authority with the carrier requesting that information.

We have serious reservations about the inclusion of public officials liability in this program at the present time. We are in the process of securing reviews of underwriters experienced in this field and some indications as to loss ratios on this class of business. However, the exposure is largely unknown and considering the potential of future tax payable lawsuits, a more conservative approach may be to supervise the placement of outside coverage at the pool level and then make a determination as to the suitability of this coverage for the pool, either on a direct basis or on a primary basis with excess of loss reinsurance.

E. Fire insurance - all property

We propose to file the copy of the letter of authority with the Insurance Services Office from whom we have had a preliminary indication that they will release copies of a statement of values filed by the local government, current blanket average fire insurance rates, and where filed, past loss experience.

If loss experience is not available, we propose to contact the local government by telephone requesting information or filing of letter of authority with the insuring company.

The question rises as to the extent of cooperation we can expect from insurance companies currently writing these accounts. One of the usual defensive positions taken could be that this is privileged information and they should not release it. The fact is, however, that when one insurance company supersedes another insurance company, the superseding company will request detailed premium and loss information from the retiring insurer and in virtually all cases, this information is exchanged. This is a courtesy among insurance companies and this same courtesy should be extended to local governments, particularly with the letter of authority. Should this become a serious problem, I would propose that we ask the Insurance Commissioner to issue a directive asking the cooperation of the companies in the release of this type of information.

-3-

One of the principal advantages of securing data in this manner is that excess underwriters will be more inclined to accept information that we can verify as correct. To further buttress our position here, we propose to summarize all of the information collected from each local government, return it to the proper official, and ask his confirmation of the accuracy of the data. Our presentation to excess underwriters can then be further documented by local government certification of this data.

6/15/78



Suspense
Date

A 7

Insurance Brokers Since 1858

FRED S. JAMES & CO. OF OREGON One Southwest Columbia, Portland, Oregon 97258(503) 248-6400 Telex 360128

Date July 18, 1978 Insured _____
To: OREGON LOCAL GOVERNMENTS COMMITTEE _____

Company _____
Policy No. _____
Re: ERRORS & OMISSIONS INSURANCE Effective Date _____ Handler _____
PUBLIC OFFICIALS LIABILITY INSURANCE

Attached is a memorandum that I had prepared on July 6th but had delayed circulating so as to give time for some further research in this area.

I realize we discussed this at our last meeting and the general consensus was that this is a coverage which is sufficiently sensitive that the pool should be able to respond to claims in this area.

This memorandum was drafted as a result of the items discussed at that meeting.

As a result of some further research, we have learned that a section of the Oregon Tort Law refers specifically to this subject, and at least in our opinion provides for answers in this area.

ORS 30.285 provides for indemnification of elected and appointed officials as follows:

"30.285 - Public body shall indemnify public officers; procedure for requesting counsel; extent of duty of State; obligation for judgement and attorneys' fees.

(1) The governing body of any public body shall defend, save harmless, and indemnify any of its officers, employees and agents whether elected or appointive against any tort, claim or demand, whether groundless or otherwise, arising out of an alleged act or omission occurring in the performance of duty.


(2) The provision of subsection (1) of this section do not apply in case of malfeasance in office or willful or wanton neglect of duty."

If in fact public officials can look to the local government for indemnity in these areas, our only concern then is with providing the adequate coverage for the local government.

I would not recommend that we attempt to cover malfeasance or willful or wanton neglect of duty, although such coverage probably could be provided without materially affecting reinsurance costs, until such time as a claim was actually presented and upheld.

Signed _____

FRED. S. JAMES & Co.
PORTLAND, OREGON OFFICE

TO: OREGON LOCAL GOVERNMENTS COMMITTEE
FROM: WILLIAM H. LILLY 
DATE: JULY 6, 1978
RE: ERRORS & OMISSIONS INSURANCE
PUBLIC OFFICIALS LIABILITY INSURANCE

This memorandum refers to the advisability of the Inter-Governmental Protection Program offering errors and omissions insurance and/or public officials liability insurance. These are essentially the same coverages, and for ease of definition I recommend that we hereafter refer to this coverage as public officials liability insurance.

This is an area of tort law that is still nebulous as respects the responsibility of elected officials, and it should be kept in mind that we are considering liability insurance in the area of "wrongful acts", which does not necessarily involve bodily injury or property damages.

The usual definition of a wrongful act is:

"Any actual or alleged error or misstatement or act of omission or neglect or breach of duty including misfeasance, malfeasance, and nonfeasance by the insureds in the discharge of their duties with the public entity, individually or collectively, or any matter claimed against them solely by reason of their being or having been insureds."

We feel that this is one of the broadest definitions and if the pool is going to offer this type of coverage, it should not be restricted to phrases such as "negligent acts". We could add more wording to this definition such as errors of "omission" or "commission", and this is something that possibly should have the attention of legal counsel.

Areas such as false arrest, liable, slander, defamation of character, invasion of privacy, wrongful eviction, assault and battery probably fall within the above definition, but are usually excluded from this specific type of coverage because they are insured under most general liability forms. However, we can do a better job of coverage if the entire package is offered in one contract.

FRED. S. JAMES & CO.
PORTLAND, OREGON OFFICE

Page Two

The foregoing definition has been made sufficiently broad and some underwriters are considering a wrongful act to be redefined as any act which a court decides may be wrong. Actual examples of alleged wrongful acts which have been upheld in litigation would include the following:

1. Inadequate or improper delivery of government services.
2. Improper procedures and a denial of a beverage license.
3. Inadequate or improper handling of employee disciplinary problems.
4. Inadequate or improper procedures in zoning decisions.
5. Incidents involving refusal of services.

In addition, unless specifically excluded by policy conditions, acts alleging discrimination under Sections 1928 and 1981 of Title 42 of the United States Code, or acts alleging denial of civil rights under Section 1983, Title 42 of United States Code, are acts that would be insured in this area.

Because this is a gray area, the insuring of such claims will place a substantial responsibility on the pool in making determinations of coverage. I think we should consider whether or not the pool, its administrators or governing committee wants to be in the position of denying coverage to an elected official, when such denial could mean a substantial personal financial loss to that official. Many of these claims are made against elected officials as individuals and in the absence of rather strong legal indemnity agreements, the personal assets of the elected official can be made available to satisfy awarded damages.

It is significant to note that although the commercial insurance market for this type of coverage is very limited, those few companies offering the program generally all retain the firm of Krol, Edelman, Else & Wilson in New York to determine which cases will be settled and which will be defended. It has to be assumed that decisions in this area are not made just on the basis of the cost of defense, but are concerned with the long-term implications in regard to setting any precedents for future suits. Should the pool elect to include this type of coverage, we believe it would be essential to retain comparable counsel.

Unless the entire decisions for adjusting claims in this area were handled between the administrator and outside legal counsel, there is also the specter of a possible claim of conflict of interest, and because this type of coverage is comparatively new, we have very little precedence to use as guidelines. In the

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PORTLAND, OREGON OFFICE

Page Three

case of marine insurance contracts with hundreds of years of legal testing, and even automobile policies which have been through the courts in the past 70 years, decisions have been made which eliminate areas of doubt. That is not the situation here, and I think that careful consideration should be given to including this coverage offered by this program.

It is also practical to consider that there is a reasonably strong and stable market for this coverage at the present time, and, at least in our opinion, the costs do not seem to be unreasonable. The governing committee could coordinate the purchase on behalf of local governments insuring their property and liability exposures with the fund, the with this type of control and supervision of claims, a three or four year experience will indicate whether or not this is a proper area for assumption of risk by the program.

The opposing viewpoint would be that the pool is intended to give stability of coverage and pricing to the insurance programs of local governments, and this cannot be effective when local governments are subject to coverage and pricing of primary commercial underwriters.

FRED. S. JAMES & Co.

PORTLAND, OREGON OFFICE

To: Joint Task Force on Risk Management

From: Gil Henderson

Re: Attached Memorandum -
Law Enforcement Officers' Professional Liability

Date: July 31, 1978

We recently reviewed the above coverage and gave consideration to the pool accepting this particular coverage. The attached memorandum is the result.

Since this information was prepared, we have learned that there are at least four facilities whereby this type of coverage is available. We will investigate these further and furnish a memorandum as to approximate costs. What we know of the companies at present is as follows:

- A. The Western World Insurance Company in New Hampshire offers a fairly comprehensive form of coverage but will not accept any risks with more than 100 officers or law enforcement employees.
- B. The Law Enforcement Insurance Co. Ltd. of Hamilton, Bermuda is a captive operated in Bermuda for the benefit of American Law Enforcement Officers. The attorney representing the company is known to Bill Lilly personally, and the company appears to be operated on sound insurance principles. They quoted a premium for coverage for Clackamas County at \$30,151.
- C. Hanson & Rolland, general agents in Tacoma, have a Lloyd's contract where this coverage is available on a submit basis.
- D. Stewart, Smith in Los Angeles recently developed a new market in an A+ company licensed in all states, however we have not seen any quotations from this market.

We will keep you posted as we learn more of this coverage, and in the meantime please call either Bill or me if you have any suggestions.

MEMORANDUM CONCERNING INCLUSION OF
LAW ENFORCEMENT OFFICERS' PROFESSIONAL LIABILITY INSURANCE
IN THE OREGON INTER-GOVERNMENTAL PROTECTION PLAN

Because this is a highly specialized area and one which does not readily lend itself to stringent policies concerning prohibited activities, we recommend that careful consideration be given to exposing the pool to this coverage.

From a standpoint of market availability, there are several markets, including a captive operated by a professional law enforcement organization. We do not know the financial details, but are endeavoring to secure additional information. However, there are markets available, although premiums appear to be extraordinarily high.

The general areas of coverage that would be provided under this type of insurance fall within claims for false arrest, false imprisonment, malicious prosecution, assault and battery, and wrongful entry.

If the pool were to properly underwrite and ultimately rate this type of hazard, considerable underwriting detail would have to be secured and analyzed. The areas of interest that would require examination are generally as follows:

1. Selection and training process of job applicants, including psychological evaluation methods to determine an applicant's fitness for the specific work in which he will become involved. Complete details on recruit training and continuing in-service educational requirements must be evaluated.
2. The extent of involvement of reserve or auxiliary units, including the frequency of activation of these units and training and screening methods that are used.
3. Strong recommendations concerning departmental review boards or boards of inquiry to examine conduct of officers.
4. Complete information as regards detention facilities, number of officers used as guards, average daily population and average length of stay.

These are general types of information that would be required by any underwriter, but probably represent a need for expertise in a specific area. One thought would be that if the pool is to underwrite this risk, we should ask for assistance from experienced law enforcement officers in evaluating individual agencies.

There is little question that coverage of this nature is essential in the risk management program of any political entity, and if premiums quoted by commercial underwriters are excessive based upon local Oregon experience, the pool may be required to assume this risk in order to properly fulfill its function. We should be aware of making this recommendation if, in fact, it appears that we are taking on a known "loss-producing" book of business.

TO: JOINT TASK FORCE ON RISK MANAGEMENT
 FROM: WILLIAM H. LILLY *WHL*
 DATE: August 14, 1978

Gentlemen:

We have done some preliminary work on adjusting expenses and we thought the enclosed would be of interest to you.

This information will be included in our final report, but by mailing this information at this time we thought it might generate some questions.

The percentages shown on the enclosure are a percentage of incurred losses, and translated into insurance company figures, the pool premiums could appear as follows:

| | |
|---------------------------------|-------------|
| TOTAL PREMIUMS EARNED | \$5,000,000 |
| TOTAL INCURRED LOSSES | \$3,000,000 |
| ADJUSTING EXPENSES - 18% | \$ 540,000 |
| LOSSES & LOSS ADJUSTING EXPENSE | \$3,540,000 |
| LOSS RATIO | 70.8% |

In using an 18% figure, we may be overly conservative, considering that losses under \$1,000 will not have a significant amount of adjusting expenses.

Furthermore, we will recommend that a substantial number of small property claims be handled directly between the administrator and the local government without the use of an intermediary adjustor.

In a typical case, we reviewed a 12 month's claim's history for a community college which indicated the following claims:

Claimant was kicked in mouth during Karate class.

Insured backing out of driveway into claimant's parked car.

Cut, fell down steps.

Employee driving insured vehicle, claimant passenger bumped against window, window open, claimant fell out of vehicle.

Replaced windshield.

Replaced windshield.

The total claims paid for the above was \$1,162, including a \$750 settlement for the fall-down. An 18% adjusting expense would have amounted to about \$210 and we would estimate that the majority of that kind of expense would have been in the fall-down case.

This gives a general idea of what can be anticipated and some of the considerations that should be given to this area.

LOCAL GOVERNMENTS ASSOCIATION
Adjusting Expenses

We made a study of insurance company financial reports to determine the cost of loss adjusting expense as a percentage of incurred losses.

These percentages varied substantially, all the way from an incurred expense of 6% to 22%, the lower percentage reflecting a high volume of property insurance losses where the higher percentage reflects a high volume of marine losses.

We felt the experience of local companies would be particularly significant since it would more closely reflect local adjusting costs in terms of fees, stenographic services, investigative expenses, legal costs, etc.

The three companies below have a reasonably large volume in Oregon and a good cross section of business, so we feel their figures are particularly meaningful:

| | |
|-------------------------------------|--------|
| Safeco Insurance Company | 16.91% |
| Oregon Automobile Insurance Company | 14.19% |
| Oregon Mutual Insurance Company | 14.47% |

There will be a number of factors that will influence adjusting expenses, for the proposed pool and at the present time we see the most significant items as:

1. Travel Expense. To keep this at a minimum, every effort should be made to pre-qualify resident adjustors in various areas of the state.
2. The mix of premium will influence adjusting expenses. Because casualty coverages, i.e., general and automobile liability coverages, often involve litigation, legal expense can be a factor. We would not anticipate the same degree of legal expense in the adjustment of property losses.
3. The three companies cited above all use staff adjusters, whereas at least in the inception of the pool, it would be necessary to use independent adjusters. It is generally conceded that independent adjusters will cost slightly more in terms of salaries, expenses, etc. than will staff adjusters.

We would not anticipate that auto expense (except travel), stenographic expense, investigative expense or other incidentals should vary from what private insurance companies anticipate.

Assuming that the enrollment in the pool represents a reasonable cross section both as respects the type of local governments enrolled and the geographic spread of these governments, we recommend that for the first policy year we budget adjusting expenses as a percentage of incurred losses at 18%.

August 9, 1978

Suspense
Date

A 16

Insurance Brokers Since 1858

FRED. S. JAMES & CO. OF OREGON One Southwest Columbia, Portland, Oregon 97258 (503) 248-6400 Telex 360128

Date AUGUST 16, 1978 Insured _____
To: JOINT TASK FORCE ON RISK MANAGEMENT _____

Company _____
Policy No. _____
Re: PREMIUM STATISTICS Effective Date _____ Handler _____

We have just completed a preliminary review of data that has been received to date and, while this is all very preliminary and is insufficient to use in reaching any conclusions, we feel it will be of general interest to members of the Joint Task Force.

We have received in our office a total of 193 Letters of Authority. The composition breaks down as follows:

| | |
|--------------------|-----|
| Cities | 112 |
| Counties | 18 |
| School Districts | 50 |
| Community Colleges | 13. |

These have all been filed with Insurance Services Office (I.S.O) and we have received back Statement of Values on the majority of the filed letters. This should give us accurate information on the total values of buildings and equipment and some premium data. We are currently reviewing this information to determine probable maximum loss areas, total property values and current premium expenses.

Of the 193 local governments which provided Letters of Authority, we have received policies from 67. We have mailed inquiries to the majority of the liability insurers for these local governments and some responses are beginning to arrive in our offices.

We have recorded premiums from the policies received into eight separate categories, for the time being excluding insurance on buildings and equipment. These categories are shown on the attachment and we have totaled the premiums from the available information.

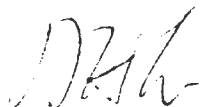
The principal significance to this figure is the total premium involved of \$1,712,653.00, and although the following is not particularly significant, it may explain where certain discrepancies appear.

Signed _____

Joint Task Force on Risk Management
August 16, 1978
Page Two

- A. In some cases, particularly certain package policies, the insurer does not furnish a breakdown of premiums between primary liability, excess liability, public officials liability and, possibly, false arrest. Therefore, some distortion can be created in those insurance classifications.
- B. Most fidelity bonds do not show a specific premium for the coverage, therefore no accurate measurement could be made.
- C. Included under the category of public officials liability, we included a form of liability coverage which intends to encompass most of the liabilities assessed under the Oregon Tort Law. Very few school districts actually insure under that particular form, therefore it was difficult to get an accurate reading on this specific coverage.

A group of policies were picked up at the local government center on August 14, and considering the timing of our first report and the length of time taken to secure replies from insurance companies, it would not appear that any further inquiries should be made after August 15.



William H. Lilly
Senior Vice President

WHL/rap
Enclosure

LOCAL GOVERNMENTS - PREMIUMS

As of August 13, 1978

| <u>CLASS OF INSURANCE</u> | <u>COUNTIES</u> | <u>CITIES</u> | <u>COMMUNITY COLLEGES</u> | <u>SCHOOL DISTRICTS</u> |
|---|-----------------|---------------|---------------------------|-------------------------|
| | (4) | (45) | (4) | (14) |
| Inland Marine | \$ 8,418 | \$ 15,006 | \$ 5,879 | \$ 1,295 |
| Primary Liability | 149,992 | 1,060,317 | 127,541 | 22,975 |
| Excess Liability | 34,251 | 51,313 | 27,535 | 24,195 |
| False Arrest | 6,495 | 55,884 | -0- | -0- |
| Public Officials Liability | 11,648 | 77,266 | 8,958 | 1,174 |
| Boiler and Machinery | 542 | 9,936 | 8,055 | 1,038 |
| Blanket Fidelity | | 1,424 | 271 | -0- |
| Money Coverages | | -0- | 1,102 | 147 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| TOTAL PREMIUMS | \$211,342 | \$1,271,146 | \$179,341 | \$50,824 |
| Grand Total - All Entities, All Coverages | | | | \$1,712,653 |

James

MEMORANDUM

TO: FILE

FROM: WILLIAM H. LILLY

DATE: AUGUST 21, 1978

SUBJECT: OREGON LOCAL GOVERNMENTS ASSOCIATION

On August 10, Bruce Kegg and I visited with John F. Sullivan & Co. - Reinsurance in Seattle. We had previously furnished them with a copy of the Warren-McVeigh Report so they would have a general background of the concept of pooling public entity insurance in the state of Oregon.

We spent the entire morning with this firm and their opinions on various areas are essentially sent forth below.

It would be difficult to establish reinsurance arrangements whereby the reinsurer would assume liability excess of that retained by the pool in all liability areas. There are particular problem areas with the type of coverages we are attempting to provide, specifically in the following areas:

1. School buses - Reinsurers generally are only interested in excess of \$500,000 per occurrence. Even if there were takers at \$250,000 per occurrence, a retention by the pool in this amount can be viewed as an absolute maximum based upon current premium income levels.
2. Public officials liability or directors and officers. This is a highly specialized area and reinsurance in this area is handled by specialists. Therefore, separate reinsurance treaties would have to be arranged.
3. Inverse condemnation - This has virtually become an excluded peril in all reinsurance treaties and in the majority of primary coverages. Consideration should probably be given to excluding this exposure in the primary pool coverage.
4. False arrest - This has been a continuing problem with a high frequency of claims, many arising out of improper service of warrants. Reinsurance underwriters, and apparently many primary underwriters, now feel that the failure of the courts and law enforcement officials to cure this particular problem is beginning to make the coverage uninsurable at virtually any level.

James

-2-

5. Airports - This again is a specialized area and specialized reinsurance must be arranged. We do not view this as an imminent problem since this is not a costly coverage in comparison to other types of insurance.

These comments in and of themselves do not create a particular problem since there is an adequate and reasonably priced primary market for public officials liability and airport liability. Furthermore, there is a market in London for false arrest coverages although the pricing is substantial in comparison with prior years premiums.

School buses can pose a problem unless we are unable to arrange for a separate reinsurance market on school bus exposures.

Some consideration should be given to excluding inverse condemnation.

One of the thoughts advanced by Sullivan was that if the total premium income to the pool was less than \$10,000,000, any reinsurance might have to be on a specific excess basis. This would pose a substantial problem since it would have to be arranged individually by each public entity and could be a deterrent since the pricing could not be readily determined in advance.

We discussed also the availability of a type of aggregate-stop loss insurance so as to insure the pool after the pool had assumed losses in excess of a given dollar amount in any one year. It was Sullivan's opinion that any aggregate excess insurance would not be available unless the pool were first able to absorb \$20,000,000 in annual losses.

It was generally their opinion that at the premium level of \$3,000,000 to \$8,000,000, the administrative expenses of arranging specific excess insurance would be disproportionate to the risk assumed. Generally, we would have to have a minimum of \$8,000,000 to enter the reinsurance market and secure any significant assistance.

Some regret was expressed over the lack of our having creditable loss experience on the primary insurance. Reinsurance underwriters are generally used to having loss data supplied by insurance companies which is valid and timely and they would expect some type of a similar exhibit prior to entering any type of treaty arrangements.

We discussed at length the idea of using a commercial primary insurance company who would issue a policy over a group retained deductible. This would be a scheme similar to any large property owner who had property values approaching \$1,000,000 in several thousand locations around the state. It would be on an aggregate excess basis similar to the plan we developed for the state of Oregon restoration

fund in 1967 whereby losses were subject to an agreed deductible per occurrence with layers of reinsurance over an accumulated aggregate of retained losses. This concept will probably require some further study once property values are verified. It will not probably give us much of a solution on the liability side.

Sullivan also expressed concern about the possibility of adverse selection and that only those public entities with particular premium and/or loss problems would be attracted to the pool.

NOTE: Although this material was intended as an internal memo for James files, and was essentially negative in nature, it was included to furnish the members of the Joint Task Force with an insight into what one re-insurance broker conceived to be the problems in finding adequate re-insurance at the levels required by this pool.

Subsequent meetings with other brokers were more positive and adopted the direction of excess insurance over a pool retention, which in turn was excessed over a minimum level of retention by each local government. This is in contrast to a pure re-insurance approach.

The consultants believe that re-insurance or excess insurance can be purchased at premiums approximating those indicated on the cash flow statement.

James

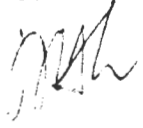
FRED. S. JAMES & CO. OF OREGON One Southwest Columbia, Portland, Oregon 97258 503 248-6400 Telex 360128

TO: BILL PENHOLLOW
ASSOCIATION OF OREGON COUNTIES

NOEL J. KLINE
LEAGUE OF OREGON CITIES

TOM RIGBY
OREGON SCHOOL BOARDS ASSOCIATION

DON SHELTON
OREGON COMMUNITY COLLEGE ASSEMBLY

FROM: WILLIAM H. LILLY 

DATE: AUGUST 21, 1978

Enclosed is Revision II to the question and answer booklet.

Noel Kline reviewed some of his thoughts with me and I think we are generally in agreement in this area. I believe that I have provided the amplification where necessary, but will be glad to make whatever further corrections may seem to be necessary before this is finalized.

I feel that there would be some concern over just how the Oregon Local Governments Insurance Pool would be operated, therefore, I have made some consolidation and have attempted to answer this question in a narrative way. I feel this is a very important area about which there should be no misunderstanding.

I will look forward to receiving any comments you may have.



OREGON LOCAL GOVERNMENTS INSURANCE POOL

Questions and answers relating to the formation of a property casualty insurance pool for local governments in Oregon.

Revision II - 8/21/78



1. Q. HOW WILL THIS POOL REDUCE OUR INSURANCE PREMIUMS?

A. It is expected that premium reductions will be realized through the following methods:

- (a) Realistic retention of small and frequent losses by local governments. A minimum retention of \$1,000 each and every loss will reduce substantial loss adjusting expenses presently facing commercial insurance underwriters.
- (b) Because premiums will be based only on losses and expenses incurred in Oregon, they will be more sensitive to local loss conditions and free of rate influences caused by adverse loss ratios in other areas outside of Oregon.
- (c) The employment of good principles of risk management relative to accident prevention, safety awareness, and elimination of certain risks, will reduce or eliminate losses, or at least transfer such loss exposure to other responsible parties.
- (d) Elimination of certain expenses presently carried by commercial insurance underwriters that are not required of the pool. Premium taxes, corporate income taxes, and profit to shareholders are examples of these expenses.

It is not expected that significant premium reductions will be available immediately, rather the pool is intended as a permanent and long-range solution to insurance problems that have created increasingly difficult budgetary and coverage problems for local governments. The reduction of losses through techniques of risk management is a long-range program, but it is believed that the use of the above principles will ultimately produce substantial insurance savings.

2. Q. WHO WILL BE RESPONSIBLE FOR MANAGING THIS GROUP?

A. All participants will be parties to an Intergovernmental Agreement. This agreement provides that each local government subscribing to the agreement shall have one representative on the Board of Representatives which has overall responsibility for the pool. So that the Board of Representatives can be sensitive to the needs of local governments, the Agreement provides that the Board of Representatives shall elect from among their members, two persons representing each of the four classes of entities, i.e., the Cities, School Districts, Counties, and Community Colleges. This group will be known as the Council, and they will elect a chairperson as the ninth member of the Council.

The Council will have the primary responsibility for the operation of the pool, and this will include the hiring of whatever administrative staff will be required, the contracting for such services as loss adjusting, inspections, purchases of excess insurance and in general, all of the business affairs of the insurance pool.



3. Q. WHAT FINANCIAL OBLIGATIONS MUST WE ASSUME IN ORDER TO PARTICIPATE IN THIS POOL?

A. Each local government enrolling in this program shall assume the agreements set forth in the intergovernmental agreement to which all enrolled governments will be signatories. Basically, the financial obligation will be to pay premiums in accordance with billings for insurance coverage furnished in accordance with the intergovernmental agreement which you will sign upon registering in the program.

4. Q. HOW WILL THE POOL CALCULATE PREMIUMS?

A. The Council will approve premium rates as established by the administrator, but it is anticipated that for the first year, premiums will be calculated at the same level as the premium paid by the local government for the prior year, less a nominal discount for reduced expenses and any adjustments necessary such as a short rate cancellation of existing policies.

5. Q. WHAT IF OUR INSURANCE DOES NOT EXPIRE ON THE DATE THE PLAN GOES INTO EFFECT?

A. The Board of Representatives will designate an effective date for each insurance year, and all policies will be effective on that date. In the event your insurance expires on another date, it will be necessary to cancel existing policies, with any short rate penalty being absorbed by the governmental insurance pool.

6. Q. WILL THE GROUP INSURE ALL PRESENT POLICIES WE CARRY, INCLUDING HOSPITAL MALPRACTICE, FALSE ARREST, AIRPORTS, ETC.?

A. It is currently planned that such coverages will be available through the pool, however in the event they are not, the group administrator will arrange placement of such coverage on behalf of the local government. Any coverages so placed will be billed through the pool administrator without the addition of any commissions or other pool expenses.

7. Q. WHAT SUPPLEMENTAL OR ANCILLARY SERVICES DOES THE GROUP PROVIDE?

A. (a) Risk Management

Representatives of the pool will be responsible for regular contact with all enrolled agencies, so that any changes or future plans of the local government can be properly reflected in the insurance coverages. Fire insurance rate advice will be provided as respects construction of new buildings, alterations, or leasing or any premises. Insurance wording in any contracts will be reviewed so



that proper responsibility can be assessed for negligence and assignments of liabilities properly handled by insurance.

Accurate records will be maintained as regards all buildings and equipment, incidental properties, additions and deletions and insurance policy files. Annual schedules of policies in force, premium expenses, and estimated insurance premium budgets for ensuing years will be a function of the administrator.

(b) Loss Control and Administration

The administrator's office will be responsible for coordinating the activities of adjusters with the pool and the local government. Reports will be furnished on the activity of all pending claims, as well as those claims which are paid or which are closed without payment. Depending on loss activity, periodic loss reports will be furnished each enrolled local government, together with analysis of losses by type of claim, location, etc.

Loss Control will be coordinated with safety inspections so as to eliminate unsafe premises or work areas, and to reduce or eliminate those conditions which contribute to losses.

(c) Insurance and risk management is the primary responsibility of the pool, the Board of Representatives and the Council, and following patterns set in other areas and in other industries, the employment of loss prevention, loss control, and risk management principles will assist in resolving the insurance problems being presented to Oregon Local Governments.

8. Q. WILL ADJUSTERS FOR THE POOL BE ABLE TO RESPOND PROMPTLY TO OUR NEEDS FOR SERVICES?

A. It is anticipated that contract adjusters will be designated for geographical areas of the state, with the contractual agreement that contact with the local government must be within 24 hours of assignment of claims. Claims will also be closely supervised by the administrator, who will immediately advise local governments whenever claims have been closed or settled.

9. Q. WILL THE POOL ASSIST IN THE COLLECTION OF UNINSURED LOSSES, I.E. COLLISION DAMAGES BELOW DEDUCTIBLES?

A. To the extent that such losses can be collected from other responsible parties and/or their insurance carriers, each local government is urged to handle collections of this type at the local level. However, the administrative staff should be available for assistance in the negotiations in this area.



10. Q. WHAT HAPPENS TO ALL OF THE PREMIUMS PAID INTO THE POOL IF LOSSES EXCEED THE TOTAL PREMIUMS?

A. The Board of Representatives and the Council plan to select an insurance broker who will place excess insurance for the fund, so that the fund will only absorb a predetermined amount of losses during the year, with losses over the predetermined amount being paid by a commercial insurance company.

11. Q. HOW WILL WE KNOW THAT WE ARE NOT PAYING FOR SOMEONE ELSE'S LOSSES?

A. You will receive annual statements of premiums paid and losses paid and reserved. Since the underlying principle of the pool is that the premiums of many local governments will pay the losses of a few, there will be a community-of-interest in the monies used to pay losses.

The Council, acting on the advice of the administrator, will be responsible for establishment of fair and equitable premiums that are not unfairly discriminatory. It can be expected that for those local governments who consistently may develop losses because of failure to follow good risk management practices, premiums will be increased. Contrary, for those local governments who are able to reduce or eliminate risks and therefore insurance losses, premiums will reflect this good experience. It is felt that the local control will produce premiums that are loss sensitive and are not subject to influences beyond the control of local governments within the State of Oregon.

12. Q. WILL ALL PARTICIPANTS BE REGULARLY ADVISED CONCERNING FINANCIAL ASPECTS OF THE POOL'S PREMIUMS, LOSSES, INVESTMENTS, ETC.?

A. The intergovernmental agreement which each entity will sign at the time of enrollment provides that the (Council) shall annually adopt an operating budget and shall maintain funds and accounts as may be required by good accounting practice and laws. A complete written report of all financial activities for each fiscal year will be prepared by the (Council) within 120 days after the close of such year, thus enabling each local entity to have one copy of such report. These reports will be subject to an annual certified audit.

13. Q. WILL THE POOL PAY DIVIDENDS IF PAID PREMIUMS EXCEED THE LOSSES?

A. Dividends are not anticipated at this time but the Council of the pool will be authorized to declare dividends if indicated. It is felt that the budget requirements of local governments will be better served by debiting and/or crediting rates and premiums, and thereby lessen the impact caused by substantial fluctuations in insurance costs.



14. Q. WHAT SUBSTITUTE IS OFFERED FOR THE LOCAL SERVICE OF MY PRESENT AGENT OR BROKER?

A. The Board of Representatives suggests that each subscribing local entity retain, for their own account, the services of the local insurance agent or broker, so as to benefit from his advice regarding amounts of coverage, retentions, claims matters, etc. It is anticipated that the administrator will work closely with any local agent or broker who may be designated as the representative of the local government.

15. Q. WHO WILL ADVISE US ABOUT THE PROPER DEDUCTIBLES OR RETENTIONS?

A. Members of the administrative staff, working in conjunction with a local agent, should you designate such a representative. Recommendations as respect deductibles and retentions will be made after past claim histories, current exposures, and premium levels have been determined.

16. Q. WHAT IS THE PLANNED DATE FOR THE POOL TO BE IN FORCE?

A. January 1, 1979.

17. Q. WILL ALL PUBLIC ENTITIES BE ELIGIBLE, I.E. WATER DISTRICTS, UTILITY DISTRICTS, ETC.?

A. Yes. Any public entity in the state may enroll on the enrollment date.

18. Q. CAN THE GROUP CANCEL COVERAGE FOR ANY LOCAL GOVERNMENT?

A. Yes. Cancellation will require action by the (Council). Failure to pay premiums, continuation of unsafe practices, or disregard of safety recommendations could be grounds for cancellation.

19. Q. CAN WE EXPECT TO RECEIVE REGULAR VISITS FROM THE ADMINISTRATOR OF THE GROUP?

A. Yes. Staff from the administrator's office will regularly visit all enrolled local governments to assist in accident prevention and loss reduction programs. These persons will be qualified to work in all areas of the local government's risk management program, and where a local agent or broker has been appointed, will coordinate all activities through this appointed person.



20. Q. IN THE EVENT OF A LAWSUIT COVERED BY INSURANCE, WHO WILL DEFEND OUR GOVERNMENT?
- A. The administrator would prefer to retain local counsel, with possibly some consultation with lawyers experienced in defense and insurance litigation.
21. Q. WHAT KIND AND AMOUNTS OF INFORMATION MUST WE SUPPLY TO ENROLL IN THE GROUP?
- A. Valuations of all properties, schedule of vehicles and completion of application to be supplied. Copies of existing policies and consultation with local agent should be assistance.
22. Q. WILL THE GROUP PROGRAM INCLUDE WORKERS' COMPENSATION INSURANCE?
- A. Oregon law does not authorize the pooling of workers' compensation, but should the law be changed consideration will be given to this coverage.
23. Q. HOW WILL LOSSES BE REPORTED?
- A. Printed claim forms will be provided and they should be mailed directly to the administrator. Telephone notification should be used for emergency reports.

LOCAL GOVERNMENTS ASSOCIATION
INSURANCE CONTRACT OBSERVATIONS

In recording the premium data from the policies received, certain observations were made as respects the coverage that was afforded and the manner in which policies had been issued. Although our study did not contemplate any evaluation of the totality of different insurance policies, nor was any attempt made to record policy conditions or their adequacy as respects the insurable exposures of individual local governments, the following general observations may ultimately be of assistance in determining coverage to be afforded by the pool or in any future risk management principals that may be adopted by local governments.

In furnishing these comments, it is recognized that incomplete policies may have been examined; nevertheless, the observations were of fairly consistent conditions. Hence, it can be assumed that the following stipulations were general throughout the policies examined.

A total of 294 policies were reviewed.

1. There was generally no division of premiums between general liability, automobile liability, and automobile physical damage on the policies. The various premium classifications contributing to the general liability total premium were generally not exhibited. It is impossible to relate losses to premiums and premiums to exposure in the absence of this information.
2. Very few local governments appeared to assume a significant first-loss position by way of deductibles for the frequent and determinable small losses. One exception to this was the use of deductibles on property insurance schedules.
3. The forms of insurance were virtually all printed insurance company policy conditions. No attempt had apparently been made to adjust policy conditions to reflect the needs of local governments. In very few cases had endorsements been attached which either expanded coverage or eliminated restrictive policy conditions.
4. Although packaging benefits reflecting premium economies through consolidation are generally made available by underwriters to nonurban and rural local governments, there was not evidence of this facility having been utilized. To an extent, the requirements of the Public Contract Review Board may deter policy consolidations of this type although the employment of the single agent/broker of record within the administrative rules of the Public Contract Review Board would enable a qualified agent or broker to make these consolidations.

POOL INSURANCE PROGRAM EXAMPLE

The following is prepared from the actual records of an Oregon city insured with private insurers. The current premium is the premium actually paid for the coverages afforded, while the pool premiums are projected based upon the anticipated savings considering retention and lower pool premiums.

| <u>Coverage</u> | <u>Current Premium</u> | <u>Pool Premium With \$1,000 Deductible</u> | <u>Pool Premium With \$5,000 Deductible</u> |
|---------------------------------------|----------------------------|---|---|
| Fire and Allied Perils | \$ 4,370* | \$ 3,933 | \$ 3,741 |
| General Liability | 37,707** | 31,763 | 26,702 |
| Auto Liability | 12,436** | 10,017 | 8,533 |
| Umbrella Liability | 11,366 | 10,229 | 10,229 |
| | <hr/> \$65,479 | <hr/> \$55,942 | <hr/> \$49,223 |
| Deductible Assumed by City | <hr/> 3,384 | <hr/> 6,983 | <hr/> 11,759 |
| Total Cost Insurance and Retention | <hr/> \$68,863 | <hr/> \$62,935 | <hr/> \$60,982 |

* \$1,000 Deductible

** \$ 500 Deductible

POOL
INSURANCE PROGRAM EXAMPLES

| XYZ County | Present Premium | \$1,000 Retention | \$10,000 Retention |
|---|--------------------|----------------------|-----------------------|
| Fire and Allied Perils (\$1,000 ded.) | \$ 17,617 | \$ 15,855 | \$ 14,502 |
| General Liability | \$181,175 | \$148,382 | \$115,770 |
| Automobile Liability | \$ 40,815 | \$ 29,754 | \$ 21,305 |
| Umbrella Liability (\$1,000,000) | \$ 38,889 | \$ 35,000 | \$ 35,000 |
| Total Premiums | \$278,496 | \$228,991 | \$186,107 |
| 5 Year Average Incurred Claims Paid By Entity | | \$ 15,704 | \$ 37,778 |
| Net Savings | | \$ 33,801 | \$ 54,611 |

* Risk does not presently
carry excess insurance.

POOL
INSURANCE PROGRAM EXAMPLES

| N.O.P. School District | Present Premiums | \$1,000 Retention | \$25,000 Retention |
|---|---------------------|----------------------|-----------------------|
| Fire and Allied Perils (\$25,000 ded.) | \$131,092 | \$140,131 | \$117,983 |
| General Liability | \$ 27,435 | \$ 22,469 | \$ 16,296 |
| Automobile Liability | \$ 84,074 | \$ 61,290 | \$ 31,780 |
| Umbrella Liability (\$1,000,000) | <u>\$ 22,532</u> | <u>\$ 20,279</u> | <u>\$ 20,279</u> |
| TOTAL | \$265,133 | \$222,021 | \$186,338 |
| 5 Year Average Incurred Claims Paid By Entity | | \$ 7,312 | \$ 19,156 |
| Net Savings | | \$ 35,800 | \$ 59,639 |



PUBLIC LIABILITY QUESTIONNAIRE FOR POLITICAL SUBDIVISIONS
(Use Separate Sheet Where Required for Amplification of Answers)

CITY, COUNTY OR VILLAGE OF _____ DATE _____

MAILING ADDRESS _____

POPULATION _____ MAYOR OR CITY MANAGER _____

CITY ATTORNEY _____ CITY CLERK _____

A. ESCALATORS

Where located _____ Number of Landings _____

B. BUILDINGS AND PREMISES

1. Asylums-area (80991s) _____
2. Auditoriums or Halls-area (describe) _____
3. Cemeteries-acreage (65501) _____
4. Mausoleums-area (82310) _____
5. City Hall or County Court House-area (65121) _____
6. Exhibition Building-area (79435s) _____ -receipts (79436s) _____
7. Exhibitions conducted by insured-(describe fully) _____
8. Fairs-areas and frontage of grounds (86414) _____
9. Fireworks Exhibition-conducted by Municipality-receipts (79461s) _____
 -conducted by Independent Contractor-number (79463s) _____
10. Garbage Dumps-acreage (49532) _____
11. Golf Courses-holes _____ receipts (79420) _____ Number owned golfmobiles _____
12. Hospitals-area (80611s) _____
13. Nursing Homes-area (80924s) _____
14. Clinics-area (80613) _____
15. Housing Projects-single (93185) _____ 2-family (93184) _____
 3-family (93183) _____ 4-family _____ more than 4-family-area (93181) _____
16. Land Leased to Others-frontage (65180) _____
17. Libraries or Museums-area (82310) _____
18. **Parking Meters**-number (53410) _____
19. **Parking Lots**-area of each (75230) _____
20. **Refuse Receptacles**-number (53411) _____
21. Sanitariums-area (80925s) _____
22. Ski lifts or Tows-receipts (41191s) _____
23. **Storm or Sanitary Sewers**-number of miles (49521) _____
24. Stadiums-seating capacity _____ number of admissions (79412s) _____
 -receipts (excluding admissions and seat charges) (79436s) _____
25. **Swimming Pools**-receipts (79417s) _____ Number (79404s) _____
26. **Traffic Signal Lights**-number-Center (93154) _____
27. **Traffic Signal Curb Lights**-number (93157) _____
28. **Traffic Signal Overhead Suspension** (93153) _____
29. **Voting Machines**-number (50812) _____ **Voting Places**-number (93111) _____
30. Wharf and Waterfront Property (give full details) _____
31. Complete description and use of boats, tugs, ferries, barges, or other vessels _____

D. OPERATIONS — Annual Payroll (do NOT combine classifications. ALL clerical pay to be shown separately under Item 13.)

DO NOT INCLUDE SUB-CONTRACT COSTS UNDER PAYROLL. If operation contracted, give details and cost.

1. Garbage, ashes or refuse collection (49531) _____
2. Sewage disposal plant or garbage works-reduction or incineration (49521) _____
3. Sewer cleaning (49590) _____
4. Street cleaning (49531) _____
5. Street and road maintenance-paving, resurfacing, patching, snow removal _____
6. Street and road construction (16112) _____ Amount of blasting, if any _____
7. Bridge building or repairing (16115) _____
8. Firemen (payroll of paid firemen) (93131) _____ Number of volunteer firemen _____
9. Policemen (Total payroll of Police Officers) (93141) _____
(a) Number of full time officers _____ (b) Number of part time officers _____
10. Gas, light and power department (describe) _____
11. (a) Source of supply _____
(b) Premises _____
(c) Mileage and size of conduits and mains _____
12. Water department (49411) _____ Number of meters _____
(a) Source of supply _____
(b) Premises _____
(c) Size and mileage of mains _____
(d) Capacity and type of: Reservoirs _____ Tanks _____ Dams _____ Annual distribution (49411s) _____ gallons
13. Clerical office employees _____
14. Municipal, township or county employees not otherwise classified (93111). This classification includes employees engaged in laboratory work, inspectors of the Board of Health, electrical inspectors, building inspectors and similar occupations but not workmen, mechanics or others engaged in manual labor or supervisors of construction work _____

E. DESCRIPTION of construction or other work (not ordinary maintenance) performed for Municipality by Independent Contractors, including estimated costs (16291) _____

F. PERMITS

- (a) Building demolition operation-number of permits (93161) _____
- (b) Construction operation-number of permits (93163) _____
- (c) Advertising signs, awnings, canopies, cellar entrances, coal holes, driveways, elevators, hoistway openings, manholes, marquees, sidewalk vaults, street banners, street decorations and similar types of exposures-number of each (93164) _____

G. AUTOMOBILE NON-OWNERSHIP AND HIRED CARS

1. Number of employees _____
2. Are any motor vehicles hired? _____ If so, annual cost \$ _____

H. OWNED AUTOMOBILES

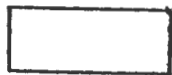
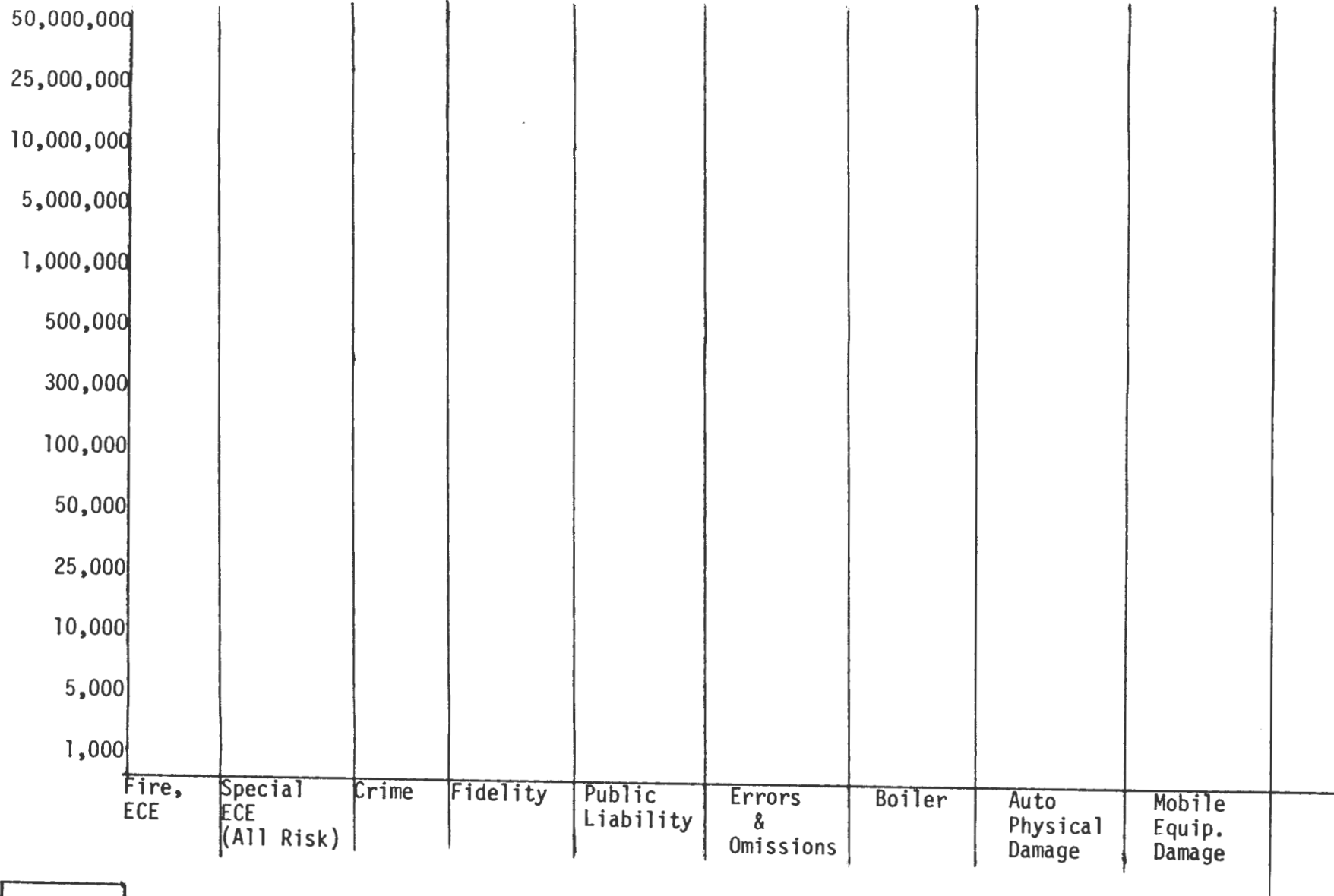
Attach list and indicate type of coverage desired: also indicate what deductibles, if any, apply to physical damage coverages.

QUESTIONS TO ANSWER ON
RENEWAL.

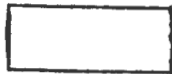
POOL
INSURANCE PROGRAM EXAMPLES

| N.O.P. School District | Present Premiums | \$1,000 Retention | \$25,000 Retention |
|---|---------------------|----------------------|-----------------------|
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| TOTAL | \$265,133 | \$222,021 | \$186,338 |
| 5 Year Average Incurred Claims Paid By Entity | | \$ 7,312 | \$ 19,156 |
| Net Savings | | \$ 35,800 | \$ 59,639 |

LOSS EXPOSURE & POOL RETENTION



Extent of Risk



Rec. Retention Level

PUBLIC LIABILITY QUESTIONNAIRE FOR POLITICAL SUBDIVISIONS
(Use Separate Sheet Where Required for Amplification of Answers)

CITY, COUNTY OR VILLAGE OF _____ DATE _____

MAILING ADDRESS _____

POPULATION _____ MAYOR OR CITY MANAGER _____

CITY ATTORNEY _____ CITY CLERK _____

A. ESCALATORS

Where located _____ Number of Landings _____

B. BUILDINGS AND PREMISES

1. Asylums-area (80991s) _____
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7. Exhibitions conducted by insured-(describe fully) _____
8. Fairs-areas and frontage of grounds (86414) _____
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 -conducted by Independent Contractor-number (79463s) _____
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23. **Storm or Sanitary Sewers**-number of miles (49521) _____
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(a) Number of full time officers _____ (b) Number of part time officers _____
10. Gas, light and power department (describe) _____
11. (a) Source of supply _____
(b) Premises _____
(c) Mileage and size of conduits and mains _____
12. Water department (49411) _____ Number of meters _____
(a) Source of supply _____
(b) Premises _____
(c) Size and mileage of mains _____
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G. AUTOMOBILE NON-OWNERSHIP AND HIRED CARS

1. Number of employees _____
2. Are any motor vehicles hired? _____ If so, annual cost \$ _____

H. OWNED AUTOMOBILES

Attach list and indicate type of coverage desired: also indicate what deductibles, if any, apply to physical damage coverages.

**QUESTIONS TO ANSWER ON
RENEWAL.**

INSURED _____



FRED. S. JAMES & Co.
Insurance Brokers and Consultants Since 1850
TECHNICAL SERVICE

[illegible]



Underwriters Adjusting Company

1500 S.W. First Avenue
Portland, OR 97201
Telephone: 503-222-6871

August 17, 1978

Fred S. James and Co. of Oregon
One S.W. Columbia Street
Portland, Oregon 97258

Attention: Adele M. Fenton, Claims Manager

Re: PROPOSAL - OREGON INTERGOVERNMENTAL INSURANCE POOL

Dear Ms. Fenton:

Thank you for your letter of August 3, 1978 concerning the Joint Committee of the local governmental associations in Oregon. We at UAC are vitally interested in providing adjusting services to the pool. We feel that we are certainly qualified to provide you and your clients with the proper service at a reasonable price.

We enclose a copy of our current roster of professional personnel at our six (6) locations in Oregon. With these six offices in the State, we feel we can provide prompt, thorough and professional claims service to our customers in all portions of the State. We also enclose our current directory of all our locations throughout the United States. Our personnel in Oregon have a wealth of experience and we have a very thorough and ongoing training program to ensure that we can continue to meet the needs of our customers.

Our staff has had experience in handling claims for local governments, both on behalf of insurers and on behalf of local self-insured governmental units. Some of these specific governmental entities in Oregon are as follows: Marion County, City of Salem, City of Gearhart, City of Seaside, City of Jefferson. Also in the State of Washington: City of Kelso, City of Longview, Longview School District, as well as others over the years. In this regard, we attach letters of reference from Marion County and City of Salem, as specific examples of our ability to handle these claims for insurance companies as well as self-insured entities. We also enclose two other letters of reference from insurance companies for whom we work.

Fred S. James & Co. of Oregon
Attn: Adele M. Fenton, Claims Manager

Page two

Re: PROPOSAL - OREGON INTERGOVERNMENTAL INS. POOL

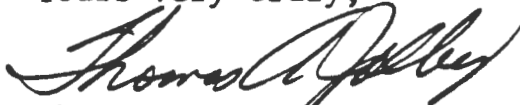
A copy of our current Rate and Fee Schedule is enclosed. Our fee bills are based on this schedule, unless prior arrangements are made. In this regard, a booklet explaining some of the services that we can provide to self insurers is enclosed. We can tailor our services to fit your needs!

We enclose a UAC Profile further outlining many of our other services valuable to your clients. One of these is Dial-A-Claim, which is provided at no additional cost to you or your clients. This service provides you and your clients a 24 hour toll-free number for reporting of claims. Trained UAC operators secure all necessary information, then, with the aid of a complete roster of all our professional personnel, arrange for a UAC adjuster to make rapid contact with the person in need of service, 24 hours a day, 365 days a year. We feel this is the ultimate in rapid claims reporting.

Please note that our service offices in the State direct their reports as requested by the customer, with a copy to the Portland Branch Office. This insures prompt service to the customer throughout the State, at the same time giving you local control and one service, headquartered in Portland, for you to contact regarding specific needs or problems anywhere in the State.

Thank you again for thinking of UAC. We hope you find the enclosures informative and helpful to you. We would welcome the opportunity to meet with you and your client at your convenience to further explain our services, or tailor our services to meet your needs. We look forward to the opportunity to be of service to you when the need arises.

Yours very truly,



Thomas A. Jolley,
Branch Manager

TAJ/jb
Enclosures



L.A. LARSON
L.V. SWALEC

August 21, 1978

Fred S. James & Co.
One Southwest Columbia
Portland, Oregon 97258

ATTENTION: A. M. FENTON

Dear Ms. Fenton:

We just became aware of your association with the Association of Oregon Counties, League of Oregon Cities, Oregon Community College Assembly and Oregon School Board Association. **We were not contacted by you concerning adjustment of losses for these associations but would welcome the opportunity to participate.** We cover a geographical area generally in a fifty mile radius of Salem. Additionally, we make a weekly scheduled trip to the Oregon coast where we charge time and mileage from Lincoln City. We have a great deal of experience in adjusting for political subdivisions including the City of Salem, the City of Independence, City of Dallas, Lincoln County, Lincoln County School District, Chemeketa Community College and the State of Oregon when the State was insured by Chubb/PI. We have performed the above services both for self-insureds and various carriers including Chubb/PI, Providence Washington Insurance Group and Gulf. We would be happy to provide any further information requested in this regard.

Our company is currently owned by L. V. Swalec and myself. We normally have one additional adjuster on the staff but are currently short one adjuster. Additionally, we have a highly experienced physical damage appraiser.

Our current hourly rate is \$17.00, mileage 25¢ per mile, clerical \$3.00 per page and all other expenses at cost.

Thank you for your consideration and if we can be of any further assistance we would appreciate hearing from you.

Very truly yours,

OREGON CLAIMS SERVICE, INC.

By - L. A. Larson

LL:ds

CC

3 AUG 22 9:18



OREGON CLAIMS SERVICE, INC.
1952 McGilchrist S.E. • P.O. Box 12686 • Salem, Oregon 97309
Phone 503-364-2273





TOBIN, CRAWFORD & MIKOLAVICH, inc.

INSURANCE SERVICE

Medford, Oregon
August 17, 1978

P.O. Box 937
221 West Main
Medford, Or. 97501
(503) 772-6167

P.O. Box 886
1027 N.E. Pepperwood
Grants Pass, Or. 97526
(503) 479-2616

Ms. A. M. Fenton
Fred S. James and Company of Oregon
One Southwest Columbia
Portland, Oregon 97258

Dear Ms. Fenton:

623 Pine Street
Klamath Falls, Or. 97601
(503) 882-6629

We would like to take this opportunity to furnish you with some background information on our firm and a resume of our personnel.

24 Kingsbury
Eugene, Or. 97401
(503) 687-1673

Our company, which is now in excess of a quarter of a century old, is comprised of six offices -- Medford -- Klamath Falls -- Grants Pass -- Eugene -- Portland -- and Seattle, Washington. We provide the widest coverage within the state of any claims adjusting or service company. While we are a multi-line adjusting firm, our areas of speciality are workers' compensation, general and products liability, heavy casualty, property losses and material damage.

Staffing our offices are twenty-eight highly experienced, professional claims people.

1800 S.W. First
Suite 612
Portland, Or. 97201
(503) 243-1921

We are attaching:

1. List of counties in Oregon where we provide claims service.
2. Resumes of personnel.
3. Fee schedule.
4. List of companies we are proud to count among our clients.
- 4A. Companies that we are the sole representative and provide claims administration.
5. List of counties, cities, school districts that we are currently or in the past have provided claims administration and service.

P.O. Box 25583
Lake City Station
Seattle, Wa. 98125
(206) 364-6703



Ms. A. M. Fenton
Fred S. James and Company of Oregon
Page Two
August 17, 1978

If you should have questions or need additional information please feel free to contact me.

Very truly yours,

 J. E. CRAWFORD AND MIKOLAVICH, INC.

Jack E. Crawford

JEC/bc

Enclosures



TOBIN, CRAWFORD & MIKOLAVICH, inc.

INSURANCE SERVICE

P.O. Box 937
221 West Main
Medford, Or. 97501
(503) 772-6167

Counties in which we provide service:

P.O. Box 886
1027 N.E. Pepperwood
Grants Pass, Or. 97526
(503) 479-2616

Multnomah

Clackamas

Yamhill

Washington

Columbia

Clatsop

Tillamook

Hood River

Lane

24 Kingsbury
Eugene, Or. 97401
(503) 687-1673

Benton

Linn

Douglas

Coos

Curry

1800 S.W. First
Suite 612
Portland, Or. 97201
(503) 243-1921

Josephine

Jackson

Klamath

Lake

P.O. Box 25583
Lake City Station
Seattle, Wa. 98125
(206) 364-6703



Industrial Claims Service

INSURANCE ADJUSTERS

ONE S.W. COLUMBIA, SUITE 660 • PORTLAND, OREGON 97258 • TELEPHONE (503) 225-1170

August 18, 1978

Fred S. James & Company
One S.W. Columbia
Portland, Oregon 97258

Attention: Ms. Del Fenton

Dear Ms. Fenton:

Reference yours of August 3, 1978 in regards to adjusting property and casualty losses for self-insured governmental agencies in Oregon, Industrial Claims Service is interested. In addition, we can furnish a complete print-out of claims history as requested.

GEOGRAPHICAL AREAS

We are headquartered in Portland but have facilities to handle losses in the entire Willamette Valley, servicing Portland, Salem, Eugene, Roseburg and within a 200 mile radius of these cities.

CLAIMS PERSONNEL

John d'Arc Lorenz, Manager, tort claims experience since 1947; Supervising claims against municipalities and public transportation systems on a daily basis for the past nine years.

Bob Kearns, multiple line adjuster since 1973, including the handling of liability claims for municipalities, public school districts and public transportation systems. Prior to employment with ICS, was claims manager supervising four adjusters.

Tom Wells, multiple line adjuster since 1965; the last four years handling claims against municipalities and public transportation systems on a daily basis.

Gene Chandlee, multiple line adjuster since 1974, including the handling of liability claims for municipalities, public school districts and public transportation systems for the past three years.

Mark Stairiker, multiple line adjuster since 1974; working exclusively on municipality claims and public transportation claims during the last year and a half.

Ron Edwardson, multiple line adjuster since 1976, including recent experience on claims against municipalities and public transportation systems. Also a member of the Oregon Bar.

Kathleen Sasaki, multiple line adjuster beginning 1948; since 1972, experience includes claims against municipalities and public transportation systems.

Roger Flynn, multiple line adjuster since 1974, including claims against municipalities and public transportation systems.

FEE QUOTATION-INVESTIGATION AND ADJUSTMENT FEES

| | |
|-------------------------------|------------------------------|
| Adjuster and supervision time | \$16.00 per hour |
| File Set up | 8.00 |
| Mileage | .25 per mile |
| Clerical | 20% of investigation expense |
| Telephone costs | Charges incurred |
| Photos | 1.00 per print |

Other fees incurred are for the account of the principal such as litigation, doctors, experts, surveillance, subpoenas, court approved settlements, attorney opinions, depositions and all other related fees.

REFERENCES

Attached are two letters from the City of Portland and Tri-Met.

EXPERIENCE

We have been handling claims for the City of Portland continually since January, 1971 and for Tri-Met since January, 1970.

REMARKS

Please note that Industrial Claims Service has been handling claims of municipalities and public transportation systems since 1970 on a daily basis. This experience has given us expertise in these fields of tort liability.

Claims print-outs were not mentioned in your letter. If requested, we will quote these fees.

Very truly yours,

INDUSTRIAL CLAIMS SERVICE

John d'Arc Lorenz

JL:bk

Enc.

GAB Business Services, Inc.
2130 SW 5th Avenue Suite 3
Portland Oregon 97201
Telephone (503) 227-6401

August 16, 1978

Regional Office

Ms. A. M. Fenton, Claims Manager
Fred S. James & Company of Oregon
One S. W. Columbia
Portland, Oregon 97258

Intergovernmental Property and
Casualty Pool
State of Oregon

GAB

Dear Ms. Fenton:

This will acknowledge your letter of invitation, dated August 3, 1978, to submit a bid proposal to provide adjusting services for the Intergovernmental Property and Casualty Pool of the State of Oregon.

GAB Business Services, Inc., hereinafter referred to as GAB, is pleased to submit the following proposal for the handling of property and casualty claims for the Intergovernmental Pool on a statewide basis.

Without the benefit of loss history we can only price our services on a time and expense basis. Our hourly rate would be based upon \$12.90 adjuster's services, \$2.10 auto and adjustment expense and \$4.85 clerical and CMRS expense. This would not include miscellaneous expense or allocated expense. Miscellaneous expense is such expense as photos, police reports, long distance phone calls and other normal adjustment expense. Allocated expenses are expert expense that GAB cannot provide. Allocated expenses would be such expense as defense costs, medical assistance, commercial photographers, court report, accountants and engineers, but not necessarily limited to these. Allocated expenses are arranged by GAB, with the authority of the client, and this expense is passed on to the client on a dollar for dollar basis for direct payment.

The following are two alternatives which you may wish to consider:

- 1 - Contract to handle all files - no CMRS (Claims Management Reporting System) - minimum \$1,000.00 retainer fee - all files handled on a time and expense basis.

2 - Contract to handle all files, with CMRS and Cause Code Analysis, with a \$4,500.00 minimum service fee. Files to be handled on a time and expense basis with no additional charges until our service fee exceeds the \$4,500.00 minimum.

Should you desire, GAB will work from a trust fund established by the Intergovernmental Pool and funded by the Pool. We could also work from a voucher system wherein the Pool would issue the drafts.

Our CMRS can be issued monthly or quarterly and would detail each claim presented showing the amounts paid, reserve, and year to date totals. Samples of our various print-outs are shown in the enclosed brochure "Services For the Self-Insured".

GAB has branch offices located throughout the State of Oregon. Enclosed with this proposal is a listing of the cities and counties serviced by each branch office.

A brief resume' of GAB is included in the front of the brochure "Service For the Self-Insured". I am also enclosing a list of the GAB staff in each branch office within the state, which includes the experience and position of each employee.

GAB has numerous self-insured clients which include both political sub-divisions and corporate accounts. The following list of current clients may be contacted to verify the quality of GAB services.

Southern California Rapid Transit District
R. T. Powers, General Counsel
Windsor 060 S. Broadway
Los Angeles, California 90015
Phone: 213-749-6977

Bay Area Rapid Transit District
Leland J. Hoagland, Insurance Manager
800 Madison Street
Oakland, California 94607
Phone: 415-465-4100

Whatcom County
Gene Moses, Deputy Prosecuting Attorney
311 Grand Avenue
Bellingham, Washington 98225
Phone: 206-676-6784

City of Bellingham
Patrick Brock, City Attorney
210 Lottie Street
Bellingham, Washington 28225
Phone: 206-676-6903

City and Borough of Juneau
Kevin Ritchie
155 S. Seward Street
Juneau, Alaska 99801

Municipality of Metropolitan Seattle
George Jones, Purchasing Supervisor
600 First Avenue
Seattle, Washington 98104
Phone: 206-447-6718

GAB is sincerely interested in securing new accounts and we look forward to working with you to help meet the Intergovernmental Pool's objectives of fair and equitable claims service at a reasonable cost.

Thank you for allowing us the opportunity of submitting a service proposal for this account.

Should you have any questions regarding GAB services please feel free to contact Jim Oliver at 206-282-5700, or George Poe at 503-227-6401.

Sincerely yours,



R. L. Peterson,
Regional Manager



Jim Oliver,
Account Executive

mm

cc: John Hayes
San Francisco, Service
Center

cc: Paul Brandenburg,
San Francisco Service
Center



Lewis H. Clarke & Co.

INSURANCE ADJUSTERS

226 N. W. "F" STREET • GRANTS PASS, OREGON
AREA CODE 503 • 476-7767 • NIGHT 476-2598 or 476-7983

August 18, 1978

Fred S. James & Co. of Oregon
One Southwest Columbia
Portland Oregon 97258

Attention: A. M. Fenton

RE: Insurance pool

GEntlemen:

Thank you for your letter of August 3, 1978, concerning a proposed intergovernmental insurance pool.

We would be interested in providing adjusting services to the proposed pool and provide the following:

1. We service Josephine and Jackson Counties and also the Glendale area of Douglas County and Brookings in Curry County.
2. At the present time we have two full time licensed adjusters and one part time licensed adjuster as follows.

James H. Hale, owner-manager, has been with the firm since 1976 and has 15 years investigative experience, and handles casualty, fire, inland marine and material damage claims

P. Zerwer has been with the company since 1958 and handles casualty lines.

Merle E. Stover, the former owner, has been with the company since 1957 and handles casualty, fire, inland marine and material damage claims.

3. Our charges are based on the actual time expended on a file and our present adjusting rate is \$16.00 an hour, with \$7.50 an hour for clerical. We charge 20¢ a mile with a 10 mile minimum on each file, a \$1.50 telephone charge plus long distances charges, the actual postage, advance fees and photocopy with color pictures at 75¢ a print.
4. We suggest as references, Mutual of Enumclaw Insurance Company, Premier Insurance Company, Unigard Insurance, American States and Providence of Washington.

78 AUG 21 10:29

Fred S. James & Co.
August 18, 1978

5. For the past 6 to 8 years we have been handling the claims for the City of Grants Pass and Josephine County, both for their previous carrier Chubb Pacific Indemnity, and the present carrier Providence of Washington. We have also been selected to handle Flood insurance claims for the Federal Government.

We will look forward to further communications from you.

Sincerely

LEWIS H. CLARKE & COMPANY

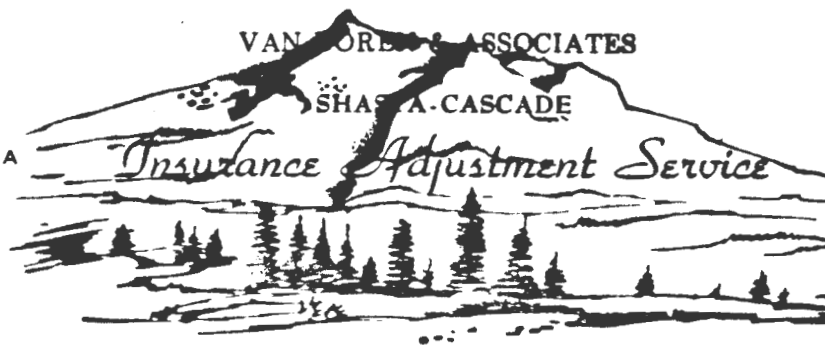
James H. Hale
James H. Hale

z

70 AUG 21 11:29

HOME OFFICE:
REDDING, CALIFORNIA

BRANCH OFFICES:
CHICO, CALIFORNIA
YUBA CITY, CALIFORNIA
KLAMATH FALLS, ORE.



REPLY TO:
P. O. BOX 1171
KLAMATH FALLS, ORE. 97601

PHONE DAY OR NIGHT

(503) 882-2561

August 17, 1978

Fred S. James & Company of Oregon
1 SW Columbia
Portland, Oregon - 97258

Attention: A. M. Fenton
Claims Manager

Gentlemen:

Thank you for your letter of inquiry regarding our firms abilities for handling governmental property and casualty investigation claim losses.

Van Doren & Associates covers the Klamath and Lake County areas in southeastern Oregon, with our Klamath Falls base. We do have our current firm of Shasta-Cascade Insurance Adjusters, with three northern California offices. Our home office is in Redding, where we are furthered by two other offices to handle claims in northern California should any of the governmental agencies have claims in the northern area.

We offer for your benefit a resume of Van Doren & Associates' firm personal, which is enclosed, along with the four office firms of Shasta-Cascade.

The fees are current base fees for Van Doren & Associates, with a \$17.00 per hour adjuster's rate, \$.25 per mile incurred, \$8.00 per hour clerical and 23% office overhead expenses. If any of our cases are involved in distance traveling, such as to Lakeview - 100 miles oneway - we do endeavor to pro-rate all cases where ever possible.

Our firm over the past years has continued experience in handling entity claims, i.e., Klamath County public entity cases for four years for Western Insurance Company; Klamath Falls Police Department, American Homes, a part of the American International Group; Klamath County Sheriff's Department, Western Insurance Company; Klamath Union High School, Insurance Company of North America.

We have expertise for Shasta-Cascade, who has for the last 18 years handled numerous counties, cities, and school liability, ENO, auto risk, etc., along with major school fire cases, i.e., Trinity Union High School vandalism, fire damage through Transamerica Insurance in excess of \$100,000.00; Hayfork Union High School through Transamerica, United States Fidelity & Guaranty Company, and State Farm Mutual \$90,000.00.

MEMBER



We offer among our many references, Ohio Casualty Insurance Company, Portland, Oregon - Mr. Ken Kerr; Alaska Pacific Assurance Company, Tigard, Oregon - Mr. Glenn Edmon; Scott-Wetzel Services, Portland, Oregon - Mr. Robert Lewis; American International Group, San Francisco - Mr. Bill Palmer and Mr. James Coulter; American Hardware Mutual, Menlo Park - Mr. K. H. Bradshaw; Preferred Risk, Portland, Oregon - Mr. Joe Ricks; and Oregon Mutual, Medford, Oregon - Mr. Jerry Krueger.

We feel our firm is in a position to provide quality service and investigative expertise for your joint committee of association.

Thank you for the opportunity in advance for you service.

Respectfully submitted,



Ron Cope, Manager



Bill Benbow, General Manager

BB/dp

- Enclosures: 1. Van Doren & Associates' resume
2. Shasta-Cascade resume

78 AUG 21 4 59:05

CENTRAL OREGON CLAIMS

Multiple Line Adjusters

Dennis Branin
Jack Chaffey
OWNERS

443 S.E. Third Street
Bend, Oregon 97701
Phone (503) 389-3171

August 15, 1978

78 AUG 21 A 8:59

A. M. Fenton, Claims Manager
Fred S. James & Company of Oregon
1 S. W. Columbia
Portland, Oregon 97258

RE: Your Intergovernmental Insurance Pool

Gentlemen:

We received your memo regarding the possible implementation of an intergovernmental insurance pool.

In response to your five specific questions, please note as follows:

1. Our office services five and a half counties, including Crook, Deschutes, Harney, Jefferson, Wheeler and one half of Klamath County.

2. Partner, Dennis Branin, has a degree in business and eleven years experience as a full multiple line adjuster, including property and casualty. Partner, Jack Chaffey, has a degree in economics with ten years experience as a full multiple line adjuster with wide experience in the property and casualty field.

3. Adjusting fees are based upon time and expense with a basis of \$18 per hour, \$.25 per mile, with clerical charge at one half rate and actual charges for expenses incurred.

4. With regard to references, feel free to contact Mr. Dave Erickson, Oregon Mutual Insurance Company, 9370 S. W. Greenburg Road, Portland, Oregon 97223, phone number 245-2255.....or, Mr. Jack Donnelly, American States Insurance Company, P. O. Box 23429, 7150 S. W. Hampton Street, Tigard, Oregon 97223, phone number 639-9640.

5. Our firm has handled slip and fall injury claims occurring on city property (Redmond), false arrest claims in behalf of counties (Jefferson and Crook), student injuries and claims against local schools (Bend School District #1) and general injury and property damage claims resulting from the use and occupancy of county property, roads and streets.

We trust the above information is of use. Please do not hesitate to contact our office if you do have additional questions.

Very truly yours,
CENTRAL OREGON CLAIMS
Jack Chaffey
Dennis Branin
Jack Chaffey, Adjuster
Dennis Branin, Adjuster

CC: Affiliated Adjusters

PIONEER ADJUSTMENT Co.
INSURANCE ADJUSTERS
3838 N.E. HANCOCK STREET
PORTLAND, OREGON 97212

August 18, 1978

78 AUG 21 18:39

Fred S. James & Co. of Oregon
One Southwest Columbia
Portland, Oregon 97258

Attention: A. M. Fenton
Claims Manager

Re: Adjusting for the Joint Committee of
governmental associations
Affiliated Adjusters, Inc.

Gentlemen:

Thank you for your letter of August 3, 1978 addressed to Affiliated Adjusters, Inc., of which Pioneer Adjustment Company is a member. The undersigned should like to outline for you the services which Affiliated Adjusters, as a group may be able to offer to the Joint Committee in connection with loss adjusting in the State of Oregon. Membership of Affiliated Adjusters, Inc. covers a significant portion of the State of Oregon and offers a very complete coverage of the State, as relates to loss adjusting and investigating.

Affiliated Adjusters, Inc. is an association of independent insurance adjusters, covering 11 western states. Each of the businesses is separately owned and separately operated, however there is a close liaison among the member companies in claims handling, so that uniform reporting practices can be attained. There is frequent exchange of assignments among the members. We offer our members an educational program as well and there is a frequent exchange of ideas among the members for bettering the quality of the work product produced by the member companies. Most of our members represent self-insureds, including governmental bodies, as well as the insurance industry.

Affiliated Adjusters, Inc. has recently been working on putting together a program for the representation of self-insureds by Affiliated Adjusters, Inc. as a whole. This program is in the formation stages at this point and advertising and promotional literature is being prepared. We are able at this time to report on uniform stationery and forms, and we have established a computerized statistical service for the convenience of our clients. The undersigned is currently Vice President of Affiliated Adjusters, Inc. and is in charge of the committee which has the responsibility for establishing the self-insured program.



OREGON MEMBERSHIP:

We are attaching for your convenience a brochure showing the membership in Affiliated Adjusters, Inc. Unfortunately, because of additions to our membership and because of changes in office locations and telephone numbers, the brochure is not absolutely correct at the moment. However, with regard to the Oregon membership, we believe the roster information is complete. Please note that the Oregon membership consists of Central Oregon Claims in Bend, James G. Frame Company in Coos Bay, Van Doren & Associates in Klamath Falls, T.C. Groomes & Company in Medford, Pioneer Adjustment Company in Portland, and Oregon Claims Service, Inc. in Salem.

QUALIFICATIONS:

Each of the above firms is a long established office in its area. For this reason, the proprietors and personnel are very familiar with their geographical areas. We believe that the level of expertise exists among the offices of Affiliated Adjusters, Inc., which surpasses that of any other branch office type operation. Most of the offices are responding to your letter of August 3, 1978 on an individual basis and the qualifications of the staff personnel, we are confident will be submitted with those individual responses.

Work submitted by each office is of course supervised by the proprietor and central supervision can and will be utilized by Affiliated Adjusters, Inc., wherever it is requested. It has been agreed among the members of Affiliated Adjusters, Inc. that the supervisory office will have this right of supervision, with the power to review files, investigate complaints, make recommendations and select other adjusting facilities when necessary.

CHARGES:

The hourly charges of the offices of Affiliated Adjusters, Inc. mentioned above will range between \$16.00 and \$18.00 per hour. Mileage charge will range between 22¢ and 25¢ per mile. As indicated above, it is probable that the individual offices in the Oregon membership of Affiliated Adjusters, Inc. will submit a rundown on charges made by each office. We believe that clerical and office expenses will quite nearly approximate 35% of the fee charges.

REFERENCES:

It is of course obvious that the 6 offices of Affiliated Adjusters, Inc. represent a great many insurers and some self-insureds. References will no doubt be submitted by the individual firms in their responses to your letter. The writer has been advised that among the governmental bodies for whom claims have been handled by our offices, are City of Salem, Lincoln County, City of Newport, Benton County, Chemeketa Community College, Lincoln County School District, City of Coos Bay, Coos Bay School District, City of Medford, Medford School District, Klamath County, Klamath Falls Police Department, Klamath County Sheriff's Office, and Klamath Union High School.

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REMARKS:

We are hopeful that in your selection of approved adjusters for handling claims of the member associations of the Joint Committee, you will give consideration to the use of Affiliated Adjusters, Inc. as an entity, based on part upon the geographical coverage offered, uniform reporting, computerized statistical service and long established status of the individually operated offices forming the Oregon membership of Affiliated Adjusters, Inc. Thank you for your consideration.

Yours very truly,

PIONEER ADJUSTMENT COMPANY for
AFFILIATED ADJUSTERS, INC.

William M. MacVicar
William M. MacVicar

WMM:sab
Enc.-Brochures

70 APR 21 12:30 PM '87

T. C. GROOMES & COMPANY, INC.
INSURANCE ADJUSTERS

711 E. Main - Suite 15

P. O. Box 1015, Medford, Oregon 97501 (503) 773-8628

P. O. Box 425, Grants Pass, Oregon 97525 (503) 476-2294

August 18, 1978

Fred S. James & Company of Oregon
One S. W. Columbia
Portland, Oregon - 97258

Attention: Del Fenton

Re: Oregon Inter-Governmental Insurance
Pool - Claims Handling

Gentlemen:

We wish to submit the following information relative to ability of this firm to service claims for Oregon Inter-Governmental Insurance Pool.

GEOGRAPHICAL AREA

Service Jackson County and Josephine County on a daily basis - Branch Office in Grants Pass, Oregon. Handle larger type casualty or property losses in Curry County, Douglas County and Klamath County as well as Del Norte County and Siskiyou County, California on a per call basis. Also licensed in State of California.

FIRM RESUME

Established June 1, 1950. Incorporated in the State of Oregon in 1967. Appraisal Division established in 1967. Purchased Vieira Adjustment Service, Grants Pass, Josephine County, Oregon on June 30, 1977. Handle all lines - including malpractice, false arrest, products and heavy property losses.

Member of National Association Independent Insurance Adjusters, Affiliated Adjusters, Inc., Independent Insurance Adjusters of Oregon, Oregon Casualty Adjusters Association, Rogue Valley Insurance Adjusters Association and Defense Research Institute, Inc.

PERSONNEL RESUME

Theodore C. Groomes - Company Founder, AB-University of Michigan, Hastings College of Law. Handles all lines, including heavy fire.

Richard H. Davies - Curtis Adjustment Service, Reno, Nevada - six years.

MEMBER OF
AFFILIATED
ADJUSTERS

MEMBER OF
ADJUSTERS



Fred S. Jones & Company of Oregon

Eleven years with Mutual of Honolulu - including District Manager of State of Idaho. Handles all lines.

Louis K. Vieira - Excess of 25 years experience including Claim Manager of Wilshire Companies prior to opening own Independent Adjusting Firm in 1972. Semi-retired - Handles over 100 heavy casualty losses.

S. B. BSpeed Eye - with firm 12 years. Thirty years prior experience including Body Shop Manager and Service Manager. Handles all types of physical damage appraisals, including heavy equipment.

SERVICE FEES

Adjusting Division

Adjusting Fee - \$17.00 per hour; Stenographic Fee - \$8.00 per hour; Postage - as incurred; Mileage - \$.25 per mile; Telephone - 5% of Adjusting Fee plus long distance calls; General Office Expense - 15% Photographs - Color, \$1.00; Photocopy - \$.25 per page and Police Reports, Lab charges, etc. - as incurred.

Appraisal Division

Standard flat fee schedule for autos and pickups up to 3/4T. Appraisal fee per hour on trucks over 3/4T, pickup campers, travel trailers, mobile homes, and all heavy equipment - \$16.00 per hour; Mileage - flat fee schedule for cities within 20 mile radius (one way) and charge of \$.25 per mile beyond; Photographs - Color, \$1.00; Telephone - \$1.00 minimum plus long distance calls; General Office Expense - 15% of Appraisal Fee and Lab. charges, special steno, photocopy, etc. - as incurred.

TWO COMPANY REFERENCES

Chubb/P.I. Group
Lloyd Building - Suite 500
Portland, Oregon - 97323
Attention: R. T. Holman

National Indemnity Company
4016 Farnum Street
Omaha, Nebraska - 68131
Attention: M. C. Strain

PUBLIC ENTITY EXPERIENCE

Handled all losses for the City of Medford for a period of twenty five years. Also have serviced losses for small surrounding cities of Jacksonville, Central Point, Phoenix and Talent, Oregon. State of Oregon when written by Private Carrier. Liability and Property Losses, including heavy fire, for School Districts.

Appraisal Division has serviced losses for all of above entities as well as for current State of Oregon Insurance Pool.

Fred S. James & Company of Oregon

We wish to thank you for opportunity of submitting this Resume and hope to have the opportunity of servicing losses for the Oregon Inter-Governmental Insurance Pool in our Geographical area.

Respectfully,

T. G. GROOMES & COMPANY, INC.
Insurance Adjusters

T. G. Groomes

T. G. Groomes

TCG:rc

Brown BBA Brothers Adjusters

A Commitment to the Future

HOME OFFICE: 545 SANSOME STREET
SAN FRANCISCO, CA 94111



Please address reply to

BROWN BROTHERS ADJUSTERS OF OREGON
4800 S.W. Macadam, Suite 200, Portland, Oregon 97201
(503) 228-8424
ED LaFAVE, Manager

In your reply
please give our file no.
C/R No.

August 16, 1978

FRED S. JAMES & CO. OF OREGON
One Southwest Columbia
Portland, Oregon 97258

ATTENTION: A.M. Fenton, Claims Manager

Dear Miss Fenton:

Regarding your letter of August 3rd, 1978 concerning the governmental associations, we are happy to submit our proposal in conjunction with adjusting work to be done on behalf of the intergovernmental insurance pool. Brown Brothers Adjusters has two offices in the state of Oregon, one in Portland, Oregon, located at 4800 S.W. Macadam, Portland, Oregon, 97201, 24 hour answering service of 228-8424. We cover east to the Biggs Junction, north to Longview, Washington, west to Astoria, Oregon, and southwest to Wallport, Oregon.

Our other office is in Eugene, Oregon, and they cover the area within approximately 80 miles circumference of their office also. We have working relationships with other office of other independents throughout the state of Oregon and would be able to handle any claim within the entire state of Oregon.

I'm enclosing an experience resume of our firm and those individuals who are presently handling claims in this area for Brown Brothers as well as our charges in reference to handling of the cases.

References would be Mr. Bob Hampson, senior claims representative of the Electric Mutual Insurance Company, 4300 Stevens Road, San Jose, California and Mr. Lloyd Griffin, Senior Claims Representative, Civil Service Employee, 989 Market Street, San Francisco, California; Mr. Jim Kelso, Claims Manager, Consolidated Freightways, Portland, Oregon; and Mr. Gary Zimmerman, Insurance Counselor, Insurance Consultant, Multnomah County School Districts, Portland, Oregon.

As to our experience in the handling of claims adjustment for local governments, as you can see by the adjusters resumes we've had a variety of experience in representing incorporated cities and counties and also the county police facilities in the various cities and counties.

FRED S. JAMES & CO.
August 16, 1978

Page 2

We appreciate the opportunity of replying to your solicitation and hope we can be of some service to your firm and the governmental pools involved.

Very truly yours,

BROWN BROTHERS ADJUSTERS



Ed LaFave, Manager

EL/s1
encs.

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P R O P O S A L

78 AUG 24 1978 08

FRED S. JAMES & CO.
PORTLAND, OREGON

1. CHESY, GREER & GUNN, INC. has its main office in Portland, Oregon. It maintains branch offices in Salem and Corvallis within the State of Oregon. In addition to the capability of providing service to cities and counties within the Portland metropolitan area, we are also able to service the following counties:

Denton
Clackamas
Clatsop
Columbia
Lincoln
Linn
Marion
Multnomah
Polk
Tillamook
Washington
Yamhill

Representatives of each of our offices travel this area on a regular basis.

2. The experience resume of our firm and individual is contained in the enclosed brochure.

3. The scale of charges to be made:

| | | |
|--|------------------|---|
| A. Professional Services | \$18.50/hour | |
| B. Stenographic Services | 9.50/hour | |
| C. File and Office Charge | 10.60/file, flat | |
| D. Automobile/Mileage | .25/mile | : |
| E. Miscellaneous expenses charged on an incurred cost basis | | |

Pacific Northwest Claims is eminently qualified to provide adjusting service to the various governmental agencies.

Pacific Northwest Claims can directly handle the investigation and reporting of claims in Multnomah, Clackamas, Hood River, Washington, and Columbia Counties.

Indirectly, Pacific Northwest Claims is well qualified to supervise the adjustment of claims throughout the state.

A resume of this firm and it's adjusters is enclosed.
(Exhibit A)

Enclosed is a quotation of all charges that will be made.
(Exhibit B)

Enclosed are two references from companies which have utilized our services.

Members of our staff are experienced in handling Property and Casualty claims on behalf of public bodies. Prior to many of the governmental units going self insured, we represented their various insurance carriers. Our experience includes claims involving School Districts, University of Oregon Medical School, State Highway Department, Community Colleges, Washington and Clackamas Counties, etc. Claims were investigated and adjusted under the various Property and Casualty contract. Our rapport with the various officials and departments has been more than satisfactory.

Our company has developed one of the most, if not the most, sophisticated claim control and word processing computer programs in the country. One feature of which is to issue checks, maintain totals, and issue recaps of payments and payees on each claimant.

CRAWFORD & COMPANY

Insurance Adjusters

78 AUG 21

A10: 04

JIM SCHULTZ,
ADJUSTER-IN-CHARGE

TELEPHONE: (503) 382-8211

1034 N.W. WALL ST., P. O. BOX 829
BEND, OREGON 97701

A. M. Fenton, Claims Manager
Fred S. James & Co. of Oregon
1 SW Columbia
Portland, OR 97258

Aug. 18, 1978

Re: Oregon local governments/Intergovernmental insurance pool

Dear Ms. Fenton:

This is in response to your letter of August 3, 1978, addressed to Denton & Associates, Inc., Bend, Oregon. On December 17, 1977, Crawford & Co. Insurance Adjusters acquired the firm of Denton & Associates, Inc. in Bend, Oregon. At that same time the Denton & Associates offices of Coos Bay, Baker, Pendleton and LaGrande were also purchased by Crawford & Co.

It is our understanding that Larry Buckley, the manager of our Portland office, has already responded to your letter of August 3, 1978. However, we felt it was important that at least we give you some specifics as to our Crawford & Co. Bend office. Both the undersigned and the other adjuster in our office, Norm Stephens, are multi-line adjusters, the undersigned having five years' experience in the claims adjusting field, and Mr. Stephens having two and one half years' experience.

The Bend office serves the municipalities of LaPine and Gilchrist-Crescent to the south; Prineville and Burns, Oregon, to the west; and Redmond, Madras and Warm Springs to the north.

Presently, our office is handling claims for the cities of Bend, Oregon (Gulf Insurance Co.), and Prineville (The Jefferson Insurance Company of New York).

Our office looks forward to the possibility of handling claims for the "intergovernmental insurance pool," and if you have any further questions concerning the Bend, Oregon, office operations, please do not hesitate to phone or write.

Very truly yours,

CRAWFORD & COMPANY

James L. Schultz
James L. Schultz, Adjuster in Charge

CC: Don L. Patch, Manager, Crawford & Co., 2245 Oakmont Way,
Eugene, OR 97401

CC: L. L. Buckley, Mgr., Crawford & Co., 7000 SW Hampton St., PO Box 2333
Portland, OR 97223

JS/vn



CRAWFORD & COMPANY

Insurance Adjusters

LARRY BUCKLEY, MANAGER

XXXX 7000 S.W. HAMPTON ST., P. O. BOX 23336
PORTLAND, OREGON 97223
TELEPHONE: (503) 839-2111

☐ 4823 RIVER ROAD, N., SUITE 4-A
SALEM, OREGON 97303
TELEPHONE: (503) 393-3454

August 14, 1978

A. M. Fenton, Claim Manager
Fred S. James & Co. of Oregon
One Southwest Columbia
Portland, Ore gon 97258

RE: Independent Adjusting Facilities

Dear Mr. Fenton:

This is to acknowledge receipt of yours of August 3, 1978, regarding the loss adjusting facilities that may eventually be used by those local governments subscribing to the intergovernmental insurance pool.

Rest assured that Crawford & Company is definitely interested in providing adjusting services to the pool and wish to respond as follows:

1) Geographical area serviced:

- (a) Our Portland-Salem office services all of northwestern Oregon, while our Pendleton, LaGrande and Baker offices service the northeast. Central Oregon is handled by our Bend office, while the southwest and east is handled by our Eugene, Coos Bay and Medford offices.

Plans are that we will be opening Klamath Falls and Corvallis offices sometime in the fall of 1978.

- 2) All managers and supervisors within the state have in excess of 10 years' experience. We will be happy to provide you with a personnel resume on the adjusters staffing each office.
- 3) Crawford & Company charges on a time-and-expense basis \$16.75 per hour. This is a flat charge. Clerical is charged at less than half this cost. The only other expense would be a charge of 22¢ per mile and a direct charge to the file of any expenses as they would be incurred.
- 4) This office has approximately 56 different companies per month that we do work for. A local source you may wish to check with would be California Casualty, Tigard, Oregon, or Commercial Union Assurance Company, Portland, Oregon.


A. M. Fenton
Fred S. James Co.
August 14, 1978
Page Two

- 5) Our Portland office, over the last 20 years, has handled a number of municipal accounts, but at the current time we are not handling any self-insured accounts such as the City of Portland or Salem.

In answer to your question, the office does have experience in dealing with these accounts with the handling of i.e., assault and battery, false arrests, and other public entity claims which are insured by policies of insurance.

We are attaching a brochure on our company, and invite any further inquiries you might have.

Very truly yours,


Larry Buckley, Manager

MM

78 AUG 15 09:02

REPORT ON SELF-INSURANCE POOL
CONTRA COSTA COUNTY, CALIFORNIA

On 1/18/78 I had an opportunity to meet with Mr. Jim Alkire and Mr. Dave Boren in the city of Pleasant Hill, California. Mr. Alkire was actively involved in the initiation and groundwork of the self-insurance pool for the cities in Contra Costa County, and Mr. Boren has recently been hired as the risk manager for this self-insurance pool. We had an opportunity to discuss at length the pitfalls and problems surrounding the implementation of this type of program in that county. Of course this knowledge will be of great assistance when the self-insurance pool is formed here for the State of Oregon.

The first step in forming this self-insurance pool was the writing of a joint powers agreement between the cities in the County who were going to be members to the pool. We have a copy of this agreement for our review. This agreement set up a separate entity to administer and handle the funds involved in this project, with a representative from each city on the board of this entity. This entity does have the authority to incur debt by issuing bonds, which may help to stabilize any great fluctuations in the loss experience for the self-insurance pool. After the entity was created, a premium analysis was done by Warren, McVeigh & Co. for each of the cities involved. This premium analysis was done to ascertain the amount of premium each city would be charged for the first year of participation in the pool. Usually, this premium was very similar to the premium that the city had paid the prior year to the normal insurance marketplace. The next step was the selection of a broker to buy the excess insurance over and above the pool, and to assist the new entity with insurance consulting advice. A date to start the pool was then chosen and the broker solicited excess premium quotations and the cities were advised of their initial premium charge. As of the effective date of 2/1/78 the cities will have a self-insurance pool with limits of \$500,000 per loss and have excess insurance for losses above that to selected limits. With this background, the following are the responses to the various questions we had concerning the implementation and structure of this pool.

1. Time Frame of Formation

In this instance the cities used a time frame of one year from the initial study to the actual formation of the pool. In my conversation with Mr. Alkire he mentioned that the pool could be set up in six months with the proper amount of time being devoted to the education of the various political subdivisions and solicitation of participation.

2. Handling of Local Agents Associations

In the beginning there was quite a lot of dissatisfaction with the cities making this move, but this rather faded into the background as they moved ahead with their plans. It should be noted that the main impetus behind the formation of this pool was not necessarily the high insurance costs or the unavailability of the market, but the poor service given to the cities by the local agents associations. Many felt that the services they were receiving from these agents was very poor, and the agents felt they should have the business for political reasons only, not on the basis of the services they were performing. It was not known whether any of the cities had retained any of their local agents as consultants to the self-insurance pool.

3. Assessable or Nonassessable

The pool is set up on a basis of being nonassessable to any of the members. There were a variety of reasons for this which may be unique to the state of California, and this situation should be reviewed for the state of Oregon.

- a. The pool in the state of California can incur debt, which would allow it to stabilize its fund by incurring such debt in the light of adverse experience. There is also a law in California which allows large losses to be assessed over a period of time, and not all in one year. The members of the pool will also be experience rated, so there will be additional funds coming in from those with poor loss ratios. The pool can cancel a particular city in the pool with a very bad loss ratio, with 90 days notice of cancellation. If a city voluntarily leaves the pool there is a two year waiting period before they can reenter the pool in order to reduce the amount of adverse selection.

4. Marketing Approach

The cities in this county use the Mayors Conference as their medium to educate and market this project. Mr. Alkire felt that the main problem in setting up such a pool was the education of the various political subdivision leaders to the feasibility and the desirability of having this form of insurance arrangement. Most of the lead time involved in this project was in educating the various mayors and commissioners in order to get backing for the pool.

5. How Funds Were Collected for the Excess

The funds for the excess insurance were collected based upon the risk's primary insurance premiums. If a risk paid X number of dollars in primary insurance premiums, then they would pay the same proportionate share of the excess premium, depending upon their limit of liability. There were two limits of liability available to the pool, either \$3 million above the \$500,000 pool limit or \$5 million above that limit. Additional excess insurance could be purchased separately through the agent of record for the pool, but would be billed directly to the city involved.

6. Participation Percentage Required - Premium Volume

The County had a total of 15 cities, and there are 13 cities presently participating in the pool. Two of the cities held out, one because they had their own self-insurance program, and the other because they were so small they felt they had no need to enter the pool. The total cities contributed about \$1.4 million of premium to the pool, and it was felt they would have needed at least seven or eight cities, depending upon the size of the cities, in order to make the pool feasible. This would amount to approximately 3/4 of the \$1.4 million, or \$800,000 or \$900,000 in funds in order to make the pool a practical alternative.

7. Coverages Required

At the present time the pool is only underwriting the coverages of general liability and automobile liability. They have plans to incorporate the property insurance under the pool within the next few months, and after that to include the workers' compensation coverage under the pool. These

will be the functions of the new risk manager to incorporate these coverages under the pool.

8. Makeup of Excess Insurance Coverage

The excess insurance coverage is written on a per loss basis and provides for limits of either \$3 million excess of the \$500,000 self-insured retention per loss or \$5 million excess of those limits. The pool does not have any aggregate over the number of losses to be suffered during the policy term, and I do not know if the quotations were ever solicited on that basis. The management of the pool does not seem to be concerned about a great frequency of loss which could put the pool in a financial bind. The companies involved were Admiral excess of the \$500,000; unknown \$1 million excess of the Admiral; and the Pinetop providing the excess over \$3 million.

9. Claims Administration

All claims adjusting is contracted out to a local adjusting firm.

10. Legal Work

All defense work is contracted to a local legal firm with insurance experience.

11. Standard Forms

Presently they will use the Chubb/Pacific Indemnity broad form liability policy. There are no plans to vary that other than to put the amount of the retention level on the policy. It should be pointed out that this pool plans to treat the retention as a deductible and will be having the risk manager adjust all claims and bill back to the particular city involved the amount of the deductible to be charged.

12. Endorsements and Audits

There will be no endorsements or audits under the pool at the present time. They will have an annual update of the underwriting information and the premium basis for the renewal will be on that new information.

13. Basis of Excess Premium Charge

At the present time the basis of the charge is proportionate to the primary insurance charge. There was a rating formula worked out that would be used after the pool has been in existence for some time. This formula will take into consideration more of the experience of the particular entity, as well as its primary exposures.

14. Entities Entering the Pool

All of the cities involved in this particular project will enter the pool as of 2/1/78. For those who have a short rate cancellation as of that date, the pool has agreed to credit the amount of the short rate penalty on their first year's premium. In essence, if a city had a penalty of \$1,000 to cancel their policy short rate, they could deduct this amount from their first year's payment under the pool. In the beginning, they

had not intended to do this, but because the pool had more than sufficient funds to handle the risk it was felt that this arrangement could be worked out during the first year.

15. Start Up Costs

In order to start up the pool and to pay various expenses, each city was assessed a part of the initial start up cost, proportionate to the size of the city. This amount of money will also be credited against the city's first year premium in the pool.

16. Potential Problems

In our discussions it was evident that there can be problems on the horizon concerning the coverages to be provided by the pool. This was already a hot issue in the pool concerning punitive damages and inverse condemnation. The effect on broadening these coverages in the pool and the excess carrier could also be a potential problem.

Gil Henderson

1/26/78