



Real-Time Risk



TIMELY NEWS AND TIPS TO HELP REDUCE RISK

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Deductibles Save Money and Encourage Risk Management

By Scott Moss, CIS Property/Casualty Trust Director

My first risk manager job was at the University of Utah. I'll always remember the liability insurance premium. At the time, insurance was very hard to obtain. The only insurance I could find was \$4 million in coverage with a \$4 million premium and \$4 million per-occurrence deductible. That's right, we paid \$4 million in premium for \$4 million of insurance coverage. Crazy!

This was about the same time that Oregon cities and counties came together to establish CIS — an insurance program that is second to none.

CIS insurance coverage is better and costs less than any other liability insurance available. A recent example is illustrative of the success of cities and counties working together. One city had an unusual exposure for which they sought commercial insurance. *The commercial insurer quoted more than \$150,000. CIS provided better coverage for \$5,000.*

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A fundamental principle of insurance is the sharing of risk between the insured and the insurer using deductibles. A deductible is the amount of a claim that the insured pays before the insurer makes payment. Sharing of risk through deductibles is considered the most equitable method to encourage loss control and save money for the insured.

The CIS Board has imposed deductibles to promote risk management. While Board members understand that paying a deductible can be painful, it saves members money by lowering the cost of insurance for all. At the same time, deductibles encourage members to implement sound risk management practices.

The CIS General and Auto Liability Programs have the following deductibles:

Conditional Employment Deductible

Amount: \$15,000

Applies: To all members if they do not use CIS Pre-Loss and have an employment claim

This is a “disappearing deductible” and only applies to employment claims. This deductible encourages the use of CIS Pre-Loss for adverse employment actions – usually the suspension or termination of employees. The deductible is not applied if the member calls the CIS Pre-Loss team prior to taking an adverse employment action — and follows their advice. If the member doesn’t call, or doesn’t take pre-loss advice and has a claim, they pay the \$15,000 deductible. If they have another claim without calling Pre-Loss the deductible increases to \$30,000. It will continue to increase to \$45,000 and then \$60,000 if the member continues to not contact Pre-Loss.

ABOUT CIS

CIS was formed at a time when it was difficult for cities and counties to get coverage. Since 1981, CIS has operated as a public entity insurance trust, helping the members of the League of Oregon Cities and Association of Oregon Counties pool their resources and share risks. Each member is an “owner” and has a role to play in the success of all members. CIS exists to serve our members and their employees.

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Aggregate/Retro Deductible

Amount: Varies

Applies: Only members who choose this deductible

Members wanting to save money by participating in claims can choose an aggregate/retro deductible. The advantage of this deductible is that once the deductible is satisfied it is no longer applied. For example, if a city has a \$10,000 aggregate deductible, the deductible disappears once any one claim or all claims reach \$10,000. All future claims are covered in full, with no deductible.

Under a retro plan, the member pays a percentage of their standard contribution amount, called a minimum premium. The member then pays claims to a set maximum amount. For example, if a member has a contribution of \$100,000, they would pay \$75,000 as a minimum premium and their losses between \$75,000 and \$115,000. After \$115,000 CIS pays 100 percent of claims. If their claims for that coverage year total less than \$25,000, they will have saved money. That's a great incentive for risk management.

Per-Occurrence Deductible

Amount: Varies

Applies: Only members who choose this deductible

Members wanting to save the most money can choose a per-occurrence deductible, which applies to each and every claim. For example, if a member selected a \$10,000 deductible it applies to every claim. This is the most common deductible used by commercial insurance companies.

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Employment Participation Deductible

Amount: 10% of employment claim up to \$10,000

Applies: All members

In an effort to reduce the cost of insurance, the CIS Board implemented an Employment Participation Deductible in 2014. This applies to all employment claims where costs are incurred — whether settlements or judgements — which are often related to discrimination, wrongful termination, free speech and whistleblowing. If another deductible applies to the claim, the 10 percent only applies to the amount paid by CIS over all other deductibles. For example, if the member has a \$10,000 per occurrence deductible, and an employment claim settles for \$30,000, the member will pay their \$10,000 deductible plus an additional \$2,000 employment participation deductible. $(\$30,000 - \$10,000) * 10\% = \$2,000$. This deductible is invoiced at claim closure and CIS is open to a variety of payment options if it is a hardship for the member.

Jail Deductible

Amount: \$10,000

Applies: Members with jails without “readily available medical care”

Court cases nationally and in Oregon have found jails liable for damages to inmates when medical care is not readily available. CIS encourages all jails to have medical care available to inmates. If an inmate makes a claim alleging medical care was not available or withheld, CIS applies a \$10,000 deductible to the claim. The deductible will be invoiced upon claim closure. This deductible is to encourage all jails, including municipal jails, to have readily available medical care for inmates.

Deductibles

Deductibles save members money by lowering the cost of insurance for all. Deductibles encourage members to implement sound risk management practices.



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Cyber Deductible

Amount: \$5,000

Applies: All members

Cyber claims have a \$5,000 deductible related to any covered event. Cyber liability covers cyber breach costs such as notification and credit monitoring. It also covers third-party liability related to a breach of data (cyber or paper) along with extortion such as ransomware.

Other Deductibles

Amount: Varies

Applies: Limited application as necessary

On rare occasions, members have unusual circumstances or exposures needing special attention. CIS Underwriting may make use of a deductible as a tool to keep costs down or encourage loss control measures.

You're not only a member and owner, you're also a partner. And our partnership is an important one. Your insurance coverage costs less and is higher quality than any other insurance program available.

CIS will continue using deductibles to reduce the cost to members and encourage risk management. If you have any questions, please contact P/C Trust Director Scott Moss, at smoss@cisoregon.org or 503-763-3840.

