



Oregon

Kate Brown, Governor

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MEMORANDUM

To: Administrative and Business Services Directors, Budget Managers and
Safety/Risk Managers
From: Penny Evans, Risk Manager, Enterprise Goods and Services
Date: June 10, 2016
Subject: Notice of Changes to the Risk Charge Methodology for 2017-19

This notice is to inform you of the changes made to the 2017-19 biennium risk charge allocation methodology.

DAS RM worked in conjunction with the DAS Enterprise Goods and Services Customer Utility Board (CUB) to change the methodology used for the 2017-19 biennium risk charge allocation. The 2017-19 rate allocation goals are to implement allocations that are equitable, eliminate or reduce rate subsidy and move to a “true cost model” as well as avoid or minimize agency budget disruptions. The changes for 2017-19 are:

- The elimination of waivers and minimum charges except for risk administration
- Minor allocation change for Workers’ Compensation
- Risk administration charge now a separate allocation

2017-19 risk charges were anticipated to increase by 24.2% based on actuarial projections. With the support and approval of the CUB, Risk Management decided to keep the Insurance Risk Fund balance at \$107.3 million instead of the forecasted \$133.1 million. With this offset, overall risk charges will increase 0.01% compared with the 2015-17 biennium. Attached is a summary of changes to the risk charge methodology and a comparison of the 2015-17 and 2017-19 biennial allocation methodologies.

Risk Management invites agency personnel to walk through the calculation of risk charges and discuss changes made to the allocation methodology. These meetings are an opportunity to learn more about the risk charge methodology and how agency risk charges are calculated. Please register for the session you want to attend so we can provide you with your agency-specific risk charge information. Registration information can be found in iLearn at: [risk charge registration](#). For questions regarding registration contact: Kluane.baer@oregon.gov.

For more information about risk charges, contact Onyemaechi Odoemelam, Risk Finance analyst at Onyemaechi.odoemelam@oregon.gov or 503-373-1855.

2015-17 Risk Management Rate Methodologies

Workers' Compensation:

- Allocation based on 100% Severity
- Waive up to 4 claims average time loss
- \$1,500 minimum charge
- Risk Administration costs included in loss allocation

Auto Property:

- Allocation based on 20% Frequency, 80% Severity
- No waivers
- No minimum charge
- No Risk Administration charges

General Property:

- Allocation based on 75% Severity, 25% Total Insurable Value
- No waivers
- No minimum charge
- Risk Administration charges included in loss allocation

Auto Liability:

- Allocation based on 20% Frequency, 80% Severity
- Waive one loss up to \$100k
- No minimum charge
- Risk Administration charges included in loss allocation

General Liability:

- Allocation based on 15% Frequency, 75% Severity, 10% FTE
- Waive one loss up to \$200k
- \$2,000 minimum charge
- Risk Administration charges included in loss allocation

Risk Administration:

- Included in Workers' Comp, General Property, Auto Liability and General Liability rates

2017-19 Risk Management Rate Methodologies

Workers' Compensation:

- Allocation based on 90% severity and 10% FTE
- No waivers
- No minimum charge
- Risk Administration costs allocated separately

Auto Property:

- Allocation based on 20% Frequency, 80% Severity
- No waivers
- No minimum charge
- Risk Administration costs allocated separately

General Property:

- Allocation based on 75% Severity, 25% Total Insurable Value
- No waivers
- No minimum charge
- Risk Administration costs allocated separately

Auto Liability:

- Allocation based on 20% Frequency, 80% Severity
- No waivers
- No minimum charge
- Risk Administration costs allocated separately

General Liability:

- Allocation based on 15% Frequency, 75% Severity, 10% FTE
- No waivers
- No minimum charge
- Risk Administration costs allocated separately

Risk Administration:

- Allocation based on 25% each Frequency, Severity, FTE and TIV
- \$1,250 minimum charge

Frequency:	Number of claims
Severity:	Total cost of claims
FTE:	Full Time Equivalent, the number of full-time equivalent positions employed by the agency
TIV:	Total Insurable Value. Total property value and assets reported by agencies on the annual Risk Report
Minimum:	A nominal charge agencies paid to be part of the insurance fund.
Waiver:	Deduction of one or more losses of a stated amount.