

Department of Administrative Services



Summary of Risk Charge Allocation Methodology
DAS Risk Management – July 2025

Agenda

01

Amount to Allocate

02

Allocation Formulas



Amount to Allocate



- Allocation begins with a decision of the amount to allocate for a biennium
- Driven mostly by Total Cost of Risk (TCOR) as determined mostly by external qualified actuaries, but also by
 - Asset levels in the Insurance Fund, and a
 - Wide variety of other factors.
 - But in the long-run risk must be funded through risk charges.
- Decided during budget process, with input from wide variety of stakeholders, for each of the Agency Request Budget (ARB), Governor's Request Budget (GRB) and Legislatively Approved Budget (LAB).
- In June 2025, the Legislature approved a total of \$328,886,947 to be allocated for the 25-27 biennium.



Allocation Formulas

Coverage	25-27 LAB share of the \$328,886,947	Allocated to agency based on its share of the following
Commercial Property Insurance	10%	100% TIV
Self-Insured General Property	3%	75% Severity, 25% TIV
Self-Insured Auto Property	1%	80% Severity, 20% Claim Frequency
Self-Insured General Liability	62%	75% Severity, 15% Frequency, 10% FTEs
Self-Insured Auto Liability	2%	80% Severity, 20% Frequency
Self-Insured Workers' Comp	18%	90% Severity, 10% FTEs
Program Administration	4%	25% Each for Severity, Frequency, TIV and FTEs, subject to \$1250 minimum biennial charge

- Severity = TOTAL PAYMENTS MADE on claims over relevant recent period; all claims included, none waived
- Frequency = TOTAL NUMBER OF CLAIMS over relevant recent period; all claims included, none waived
- TIV = Total Insured Value from most recent risk report submitted to DAS Risk Management
- FTEs = Most recent number of approved FTEs

- Once pieces are determined, risk charges are combined into totals for property, liability and workers' compensation, with half of the totals being invoiced to agencies at the beginning of each fiscal year of the biennium.

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This presentation is a brief reference and does not provide a complete explanation of the allocation process. For full details or further questions, please contact Karl Anderson in DAS Risk Management.



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