

KWORDS *from* KWORCC

So, We Belong to a Self-Insurance Pool!

What Does this Mean?

This article is adapted with permission from one written by John Sallade, CRM, Director of Insurance Programs for the County Commissioners Association of Pennsylvania.

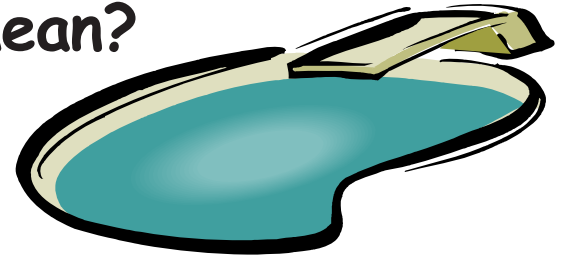
Pool members don't always realize they are purchasing insurance from a self-insurance pool, not from a commercial insurance company. Why should they care? What difference does it make? What are the advantages and disadvantages?

Self-insurance pools have been in existence in the U.S. since the early 1970's, but really came to prominence during the "hard" insurance market of the mid 1980's. There are more than 470 pools in operation nationwide. More than 85% of all local governments in the US participate in a risk pool for one or more of their insurance coverages. KWORCC started in 1992 to provide workers compensation coverage for Kansas counties.

Most pools were created to bring together a homogeneous group of insureds to escape the cyclical nature of the commercial insurance market. In the mid 1980's, the cycle had turned so bad that counties could not get coverage (mainly for liability exposures), and some coverages were available only at exorbitant prices. Conversely, the workers compensation insurance market turned "soft" in the mid 1990's, and prices fell to almost ridiculously low levels. Now insurance premiums are clearly on the upswing again.

Pools have been successful at creating loyal memberships and have brought stability in pricing and coverage. When insurance costs are high and coverage is tight, pools have been able to keep costs relatively stable and continue to provide coverage.

But, there are other differences, some philosophical in nature and others more substantive, between self insurance pools and traditional commercial insurance:



Members Control The Pool

Pool members join together to form an insurance company, much like a mutual insurance company. They agree to perform management and oversight responsibilities and receive insurance coverage for the risks undertaken by the pool. Pools are regulated by the Kansas Insurance Department.

Typically, a self-insurance pool has loyalty to its members and expects loyalty in return. For example, most pools do not "cancel" the insurance of one of its members or remove a member from the pool unless the member has not honored its contractual responsibility. Members exercise authority in governing the pool by electing members to serve on the governing board. KWORCC

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WELCOME!

Susan May

KWORCC's Exclusive Claims Adjuster

Susan joined IMA in January, 2009 and brought with her over 20 years of claims experience (including more than three years working for municipal workers compensation insurance pools). Prior to joining IMA, she spent over seven years with Berkley Administrators as a working claims manager, supervising three adjusters and four support staff. Susan also spent time as adjuster and claims manager for EBI Companies, EMC Insurance and AON. Susan has earned the General Insurance Certificate and AIC Certificate and has also completed four different CPCU courses.



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CLAIMS REPORTING

For assistance with on-the-job injuries, contact IMA at 1-800-333-8913. Questions on claims should be directed to Susan May. All correspondence, bills or other documentation for your claims can be mailed to Susan's attention at: 8200 E 32nd Street North, Wichita, Kansas 67226.

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member counties appoint a representative to attend annual meetings, and the representatives at the annual meeting elect a board of trustees made up of county elected officials. The responsibilities of the pool and its members are set forth in the bylaws of the pool. For KWORCC, the bylaws also constitute the contract between the members and the pool. Thus, the membership provides governance for the pool through the elected trustees who are responsible for the pools operation. KWORCC trustees place a great emphasis on loss prevention and providing other services to the members that are not typically provided by commercial insurance companies.

By contrast, commercial insurance companies market insurance to Kansas county government, but do not offer the opportunity to participate in management decisions. Nor are they bound to offer explanation to county government for cancellation of coverage.

Member Owned and Not-For-Profit

The assets of the pool belong to the membership and excess funds may be used to reduce premiums, increase reserves and strengthen the pool. Conversely, privately-owned insurance entities are not owned by the insured and are operated purely with profit motive.

Pool Membership Is Homogeneous

When you buy insurance from a commercial insurance company, you usually share your exposure with other entities of all types, public and private. If a tornado hits an area that is heavily insured by the company that insures your county, it most likely will affect your rates and the availability of coverage, even though your county's claims may be very low in cost and number.

Pools that only insure counties provide the same coverage for those members, and the members each have similar risks. Thus, the rates of coverage can be based on county loss experience and not on the experience of numerous other customers and types of risk whose losses may vary greatly from those of the county government.

A Focus on Members' Unique Needs

Because the members of the pool are similar entities, the pool can spend its time and resources focusing on the specific needs of the members. Commercial companies typically have multiple kinds of insureds and are not able to focus on only one type of group. KWORCC's loss prevention inspectors and training are specialized to meet county government risks.

Personal Claims Service

Pools typically provide personalized claims services, either by hiring in-house claims adjusters or by contracting with third party claims adjusters with staff dedicated to their membership. KWORCC's dedicated claim adjuster, Susan May, is known by and readily available to county personnel. Commercial insurance companies typically have large claims staffs; thus, counties may find they are assigned different claims adjusters for some or all of their claims.

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Regulation and Reinsurance

Just like commercial insurance companies, self insurance pools are strictly regulated by the Kansas Insurance Department and are required to obtain reinsurance so they will have the same strength and wherewithal to protect their customers and cover large claims.

Membership also Has Responsibilities

Being a member of a self-insurance pool takes a commitment. Members have to cooperate with loss control initiatives of the pool, provide information to the pool and participate in pool activities.

But there are tougher things about being a pool member. Because pools are usually designed to provide

stable costs, they may sometimes not be as competitive with the commercial market. During times when pools are less expensive or relatively the same cost as the commercial market, this is not a problem for most members. But when the market is soft and commercial companies are trying to “buy business” with low rates, it can be hard to stick with the pool and retain all that added value. The tough question is, “Do you stay with the pool only when times are tough and then leave when some commercial rates dip below the pools?”

To combat this tendency to follow the cheapest rates and change carriers often, pools will require by contract that an initial commitment is made to the pool beyond one year of coverage. Also pools may establish restrictions which will not allow members who leave the pool to return within a minimum waiting period. Most pools require an advance notice when a member wants to leave the pool (of at least 60 days) to terminate coverage on the pool’s common renewal date. While these requirements and restrictions are well-intended, pools recognize that it is very difficult to mandate loyalty. That is why pools must provide better and more personal service and remind members that in the long run they will provide stability of cost and coverage, county ownership and self-governance and competition for commercial carriers.

The most important thing for members of self insurance pools is to be knowledgeable about the pool to which they belong. Read the bylaws, attend the annual membership meetings, take advantage of loss control services and training, check out the annual financial audit and give the pool your input. Be an active member, and the pool will reward you by providing the services and assistance you need.



Recommended
Policy

Statement of Policy Privately Owned Motorcycles

WHEREAS Kansas Workers Risk Cooperative for Counties (KWORCC) has incurred catastrophic losses (fatality and near-fatality) as a result of county employees driving personal and privately owned motorcycles on county business;
WHEREAS KWORCC has recommended that its membership adopt a policy prohibiting the use of privately owned motorcycles while performing work or service for the county; and,
WHEREAS it is in the best interest of _____ County to provide a safe workplace and protect its employees from catastrophic loss;
NOW, THEREFORE, it shall be the policy of _____ County that no employee of _____ County is authorized to drive a privately owned motorcycle on county business. Furthermore, use by an employee of a privately owned motorcycle on county business shall be subject to disciplinary action up to and including discharge.



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for COUNTIES

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2009 Board Meeting Dates

- ✓ January 15th
- February 19th
- March 27th
- April 16th
- May 14th
- June 18th
- July 16th
- August 13th
- September 17th
- October 16th
- November 16th – Annual Meeting
- December 10th