



IRMA

Financial Basics

Understanding the Numbers

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Common Claim Terms-Line of Business

- **Worker's Compensation (WC)**
 - Lost Time
 - Medical Only
- **General Claims (GC)**
 - Property
 - Liability
- **Vehicle Accident (VA)**
- **Incidents**
 - Reported events that there is no liability (payments)
 - Do not show on any reports or count in statistics
- **Indemnity**
 - Bodily Injury, 1st Party Property, 3rd Party Property, Vocational Rehab; to make compensation to for incurred hurt, loss, or damage
- **Defense**
 - Legal Fees, Expenses

Screens/Reports are very different for each type of claim

Common Terms-Claim Financials

- **Paid**

Checks Issued on a Claim

- Medical payments and fees
- Expenses
- Attorneys

- **Collections**

Subrogation Recoveries

- Insurance companies
- Individuals with no insurance

- **Reserves**

All Future Amounts Expected to be Paid Out on a Claim

- **Incurred**

Total Paid, minus Collections plus Reserves

- Total expected cost of the claim

Membership Years

- Every calendar year is a separate membership year
- Loss payments are charged back to the year of the event (loss) no matter when the payment is made
- Gains/losses only distributed to members that were active in the membership year

Time Periods

- **Event / Claim Year**
 - When the incident actually occurred, not when reported or entered
 - The deductible level applies to when the claim happened, not reported
 - Most financial records are segregated by claim year
 - Only members that participated in a claim year share in the gains, losses, and responsibilities of that year
- **Financial Year**
 - IRMA is on a calendar year basis
 - Payments made in the current financial year are recorded under the specific claim year
- **Claim Development**
 - Varies by type of claim; can be several months after the occurrence date for auto liability claims to many years for WC and some GL claims.

Subrogation Collections

- Policy changed effective January 1, 2017
- Collected amounts are shown in a separate column and not netted in the paid column. Separate columns appear in the reports also.

Category	Balance	Paid	Collections	Incurred	Status
C 1st Party Property Damage	\$0.00	\$4,641.00	\$4,179.90	\$461.10	Closed
PD 3rd Party Property Damage	\$0.00	\$0.00	\$0.00	\$0.00	
BI Bodily Injury	\$0.00	\$0.00	\$0.00	\$0.00	
EI Excess Insurance	\$0.00	\$0.00	\$0.00	\$0.00	
E Expense	\$0.00	\$0.00	\$0.00	\$0.00	
LG Legal	\$0.00	\$0.00	\$0.00	\$0.00	
M Medical	\$0.00	\$0.00	\$0.00	\$0.00	
A Vocational Rehabilitation	\$0.00	\$0.00	\$0.00	\$0.00	
Totals -->	\$0.00	\$4,641.00	\$4,179.90	\$461.10	

Subrogation Member Refunds

Subrogation collection money always goes to repay the pool first

	Claim/Subro Amount	Member Portion assuming a \$10,000 deductible	Pool Portion
Claim	15,000	10,000	5,000
Subro collection example 1	(15,000)	(10,000)	(5,000)
Subro collection example 2	(12,000)	(7,000)	(5,000)
Subro collection example 3	(5,000)	0	(5,000)

Event/Claim Numbers

- There is one number for an event (EV123456)
- There can be multiple claim numbers under each event number 123456-01, 123456-02. No limit to number of claims under an event
- Snowplow hits a parked car, driver gets hurt getting out of the plow:
 - GC suffix 01 for damage to the plow
 - PD suffix 02 for damage to the car
 - WC suffix 03 for injured employee

Deductibles

- **Deductible**
 - Minimum = \$2,500 (34 members are at this level)
 - Prior to 2004, the minimum deductible was \$1,000
- **Optional Deductible (38 members are at this level)**
 - \$10,000 13 members
 - 25,000 15 members
 - 50,000 6 members
 - 100,000 4 members
 - 175,000
 - 250,000
- **Only one deductible applied to an event**
 - Snowplow hits a parked car (GC claim)
 - Plow is damaged (VA claim)
 - Driver injures his back slipping getting out of the plow (WC claim)

Monthly Deductible Billing

Members with a deductible of \$2,500 receive a Deductible Activity Report

Deductible Activity Report-xxxx

Intergovernmental Risk Management Agency

Month 00, 0000

Event Number	Department	Date of Loss	Cov Code	Year	Month Payments	Monthly Collection	NET Monthly	Total Payments	Total Collection	NET Total	Deductible Billed
EV000000	Administration & Finance	0/00/000	WC	0000	507.00		507.0	507.00		507.	507.00
				0000	507.00		507.0				507.00
EV000000	Police	0/00/000	WC	0000	5,000.00		5000.00	5,000.00		5,000.00	2,500.00
				0000	5,000.00		5000.00				2,500.00
EV000000	Public Works & Engineering	0/00/000	GL	0000	800.00		800.00	5,991.70		5,991.70	0.00
				0000	800.00		800.00				0.00
EV000000	Community Developmen	0/00/000	APD	0000	0.00	-2,000.00	-2,000.00	2,000.0	-2,000.00	0.00	-2,000.00
EV000000	Police	0/00/000	WC	0000	0.00	-4,000.00	-4,000.00	8,000.00	-4,000.00	4,000.00	0.00
					0.00	-1,000.00	-1,000.00	3,000.00	-1,000.00	2,000.00	-500.00
				0000	0.00	-7,000.00	-7,000.00				-2,500.00
										Pay This Amount	507.00

Monthly Optional Deductible Billing

Members with a deductible over \$2,500 receive an Optional Deductible Report

Optional Deductible Report

Member

00/00/00

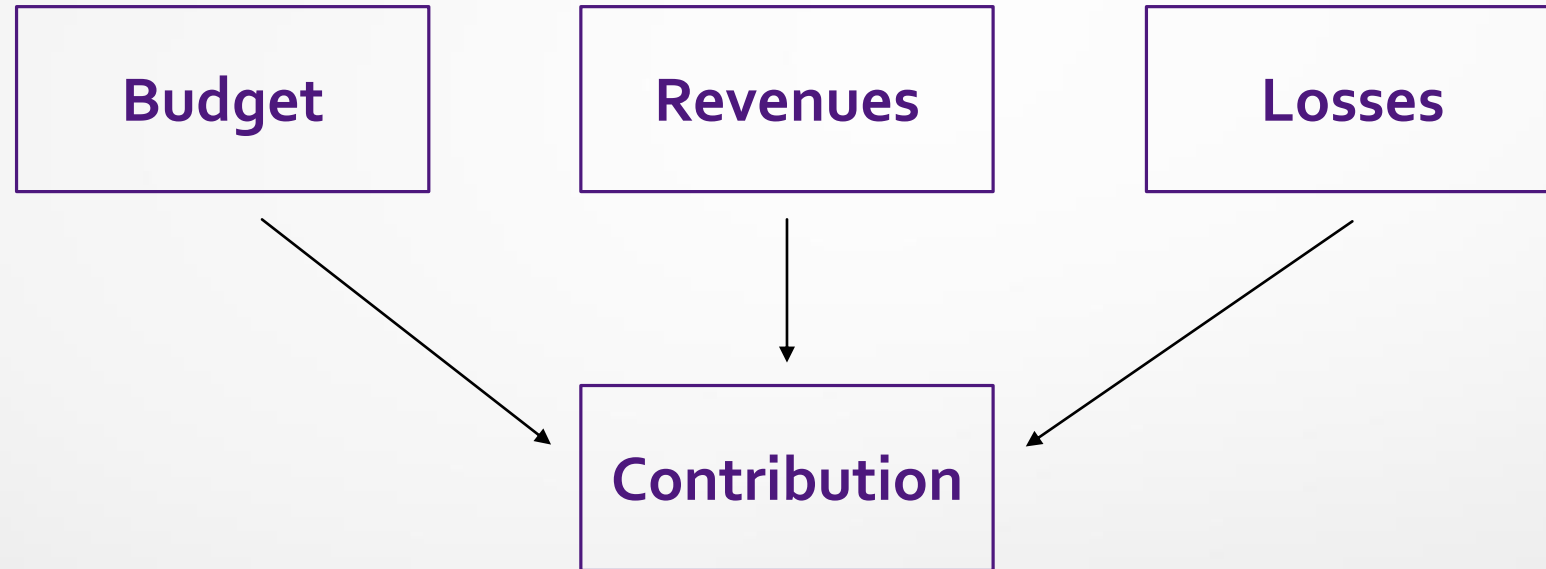
Event Year	Event Number	Department Name	Event Date	Deductible	Total Payments	Collections	Prior	DedMinusPrior	Current Month's Payments	Deductible Billing
2016	EV000000	Police	00/00/0000	2,500	2,000.00	0.00	1,000.00	1,500.00	1,000.00	1,000.00
2016				Sum:	2,000.00		1,000.00		1,000.00	1,000.00

Event Year	Event Number	Department Name	Event Date	Deductible	Total Payments	Collections	Prior	DedMinusPrior	Current Month's Payment	Deductible Billing
2017	EV000000	Police	00/00/0000	25,000	20,408.00	0.00	20,208.00	4,792	200.00	200.00
	EV000000	Police	00/00/0000	25,000	16,210.45	360.00	16,570.45	8,429.55	(360.00)	(360.00)
2017				Sum:	36,618.45		36,778.45		(160.00)	(160.00)

Event Year	Event Number	Department Name	Event Date	Deductible	Total Payments	Collections	Prior	DedMinusPrior	Current Month's Payment	Deductible Billing
2018	EV000000	Police	00/00/0000	25,000	26,000.00	0.00	24,500.00	500	1,500.00	500.00
	EV000000	Police	00/00/0000	25,000	15.36		0.00	25,000	15.36	15.36
2018				Sum:	26,015.36		24,500.00		1,515.36	515.36

							Pay This	Amount	1,355.36	
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Flow Chart



What Determines Your Contribution?



- 5-Year Average Member Revenue Base Increased by 12% for 2018, partially due to the addition of the Village of Arlington Heights
- IRMA Rate Based on 5-Year Average was reduced to 1.996 in 2018 from 2.205 in 2017
- Experience Modifier is Based on Member's Individual Losses

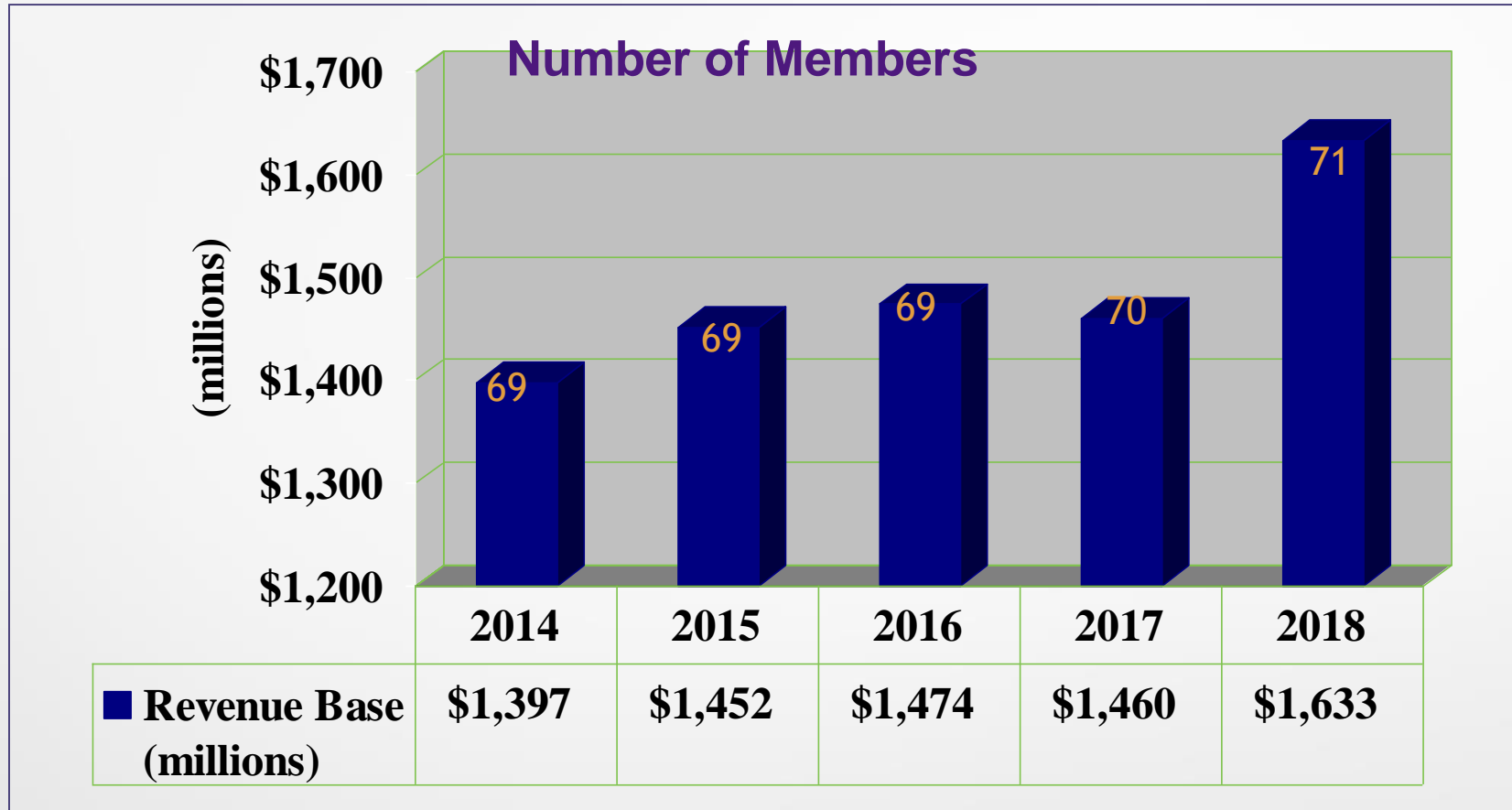
Initial Contribution Calculation

- **Revenue Base**
 - Prepared annually from each member's audited financials
 - Various deductions allowed per bylaws
 - Average revenues of most recent 5 years used in contribution formulas
 - Single year revenue base is used for various rankings
- **Contribution Rate from the Budget**
- **Total Contribution Amount Needed comes from the budget**
- **Initial Contribution is 5 year average revenue x contribution rate**
 - Investment earnings reduce the amount needed
 - A rate stabilization amount was used in the 2017 budget to reduce the contribution total and is proposed again for 2018

Revenue Base

- Prepared annually from each member's audited financials
- Various deductions allowed by bylaws
- Revenue correlates over 90% to risk
- Balanced budget revenues = spending
- Governments aren't savers
- Using reserves, less revenue lower contribution
- Averages out over 10 years

IRMA Revenue Base



2017 and 2018 Budgets

	<u>2017</u>	<u>2018</u>
Contribution Rate-Avg Rev. Base	\$2.205	\$1.996
Revenue Base-Single Year	<u>\$1,458,497,095</u>	<u>\$1,633,345,757</u>
5 Year Average Revenue Base	<u>\$1,387,092,609</u>	<u>\$1,531,165,672</u>
REVENUES:		
Contributions	\$30,581,887	\$30,561,092
Optional deductible	(2,225,118)	(2,201,511)
Rate Stabilization Credit	1,500,000	5,000,000
Investment Income	1,850,000	2,000,000
Training	<u>26,000</u>	<u>43,400</u>
TOTAL REVENUES	\$31,732,769	\$35,402,981
EXPENSES:		
Administration	\$3,958,467	\$4,249,693
Excess Insurance	2,562,890	2,678,366
Optional deductible	(2,225,118)	(2,201,511)
Loss Fund	<u>27,436,530</u>	<u>30,676,433</u>
TOTAL EXPENSES	\$31,732,769	\$35,402,981

Loss Fund

- Largest part of the budget
- Actuaries calculate total cost of all losses that will be incurred in each year
- Actuarial loss fund rate x single year revenue base

Sliding Scale

- Limits Losses
- Loss Data Prior to 2010: All Losses Between \$2,500 - \$50,000 (max \$47,500)
 - No consequence for losses above \$50,000
- 2010 & Subsequent Years – Sliding Scale
 - All Losses \$2,500 - \$75,000 (max 72,500)
 - 50% of the Loss Amount Between \$75,000 - \$125,000 (max 25,000)
 - 25% of the Loss Amount Between \$125,000 - \$300,000 (max 43,750)
 - 10% of the Loss Amount Between \$300,000 - \$500,000 (max 20,000)
 - 5% of the Loss Amount Between \$500,000 - \$1,000,000 (max 25,000)
 - Maximum \$186,250

2019 Experience Modifier

- 2013, 2014, 2015, 2016, 2017 Data
- 2013 – 2017 – Losses up to \$1 million on Sliding Scale
- Ratio of Member Losses to Member Revenue Base
- Compare Member Ratio to IRMA Ratio

Experience Modifier Formula Changes

- Loss Data Prior to 2010: All Losses Between \$2,500 - \$50,000
- 2010 & Subsequent Years – Sliding Scale
 - All Losses \$2,500 - \$75,000 (max 72,500)
 - 50% Losses \$75,000 - \$125,000 (max 25,000)
 - 25% Losses \$125,000 - \$300,000 (max 43,750)
 - 10% Losses \$300,000 - \$500,000 (max 20,000)
 - 5% Losses \$500,000 - \$1,000,000 (max 25,000)
- Maximum \$186,250

Cost Allocation

Example

Department	Percentage
Administration	6.0%
Fire	22.0%
Police	37.0%
Public Works	35.0%

Some entities allocate IRMA contributions to each department

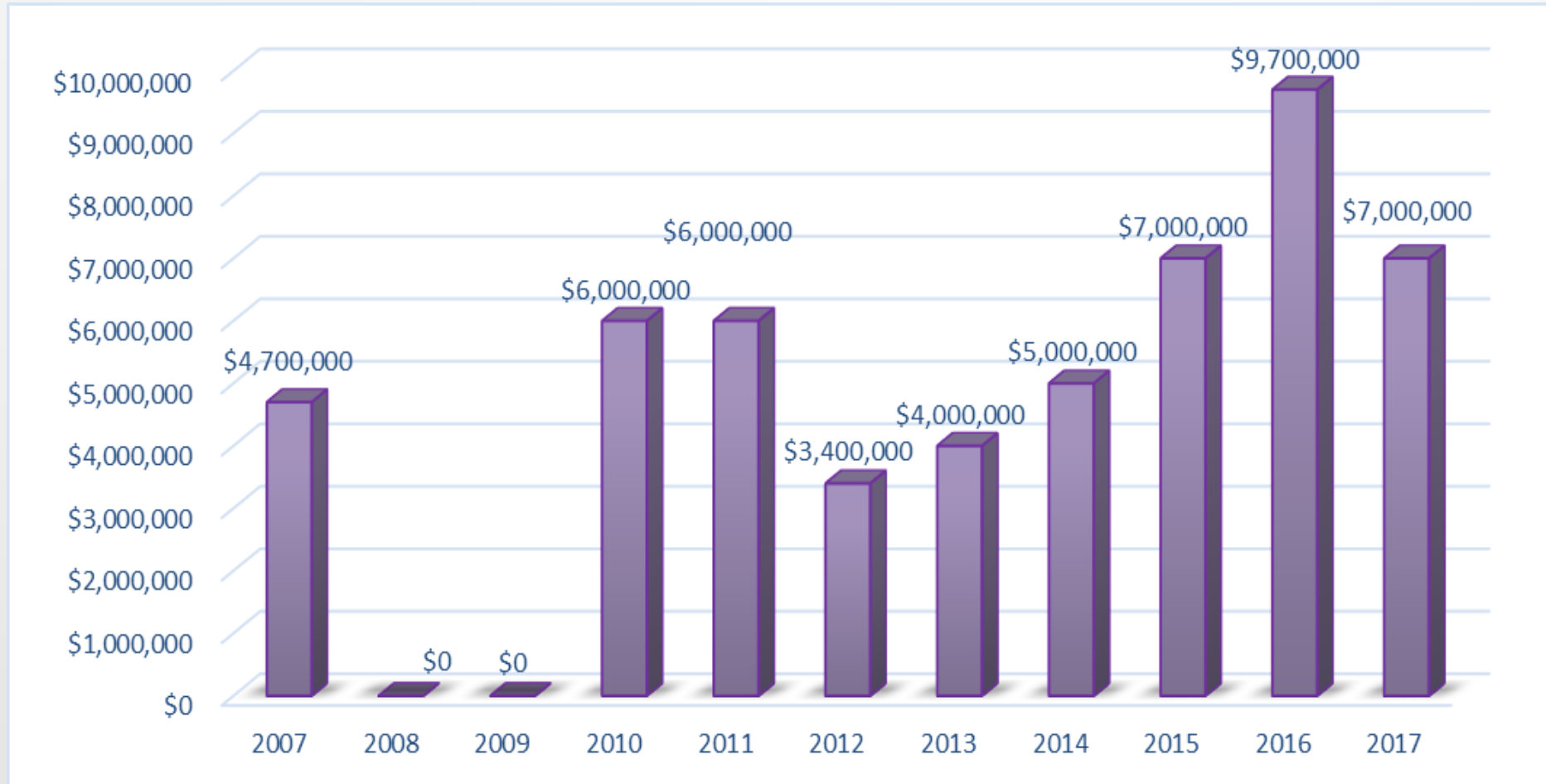
Optional Deductible Credits

- **Optional deductibles offered and 2017 credits:**
 - \$10,000, 10% credit
 - \$25,000, 20% credit
 - \$50,000, 31% credit
 - \$100,000, 43% credit
 - \$175,000, 54% credit
 - \$250,000, 61% credit
- **The credit is calculated on the contribution balance after the experience modifier has been applied**
- **Actuaries calculate the credit percentages to have the total costs at each level come out even. The percentages change each year**
- **Can chose a different deductible each year**

Optional Deductible Credit Examples

Village	Contribution	Modifier	Excluded Services Adj	Total Before Reserve	Optional Deductible Credit	Contribution due to IRMA	Deductible Level
Village of Addison	\$893,425	\$141,510	\$0	\$1,034,935	0	\$1,034,935	\$2,500
Village of Bloomingdale	596,838	76,054	0	672,892	(67,289)	605,603	\$10,000
Village of Bartlett	721,874	(110,030)	0	611,844	(122,369)	489,475	\$25,000
Village of Barrington	491,356	71,264	(47,132)	515,488	(159,801)	355,687	\$50,000
Village of Glencoe	452,145	1,944	0	454,089	(195,258)	258,831	\$100,000

Interest Income Credits

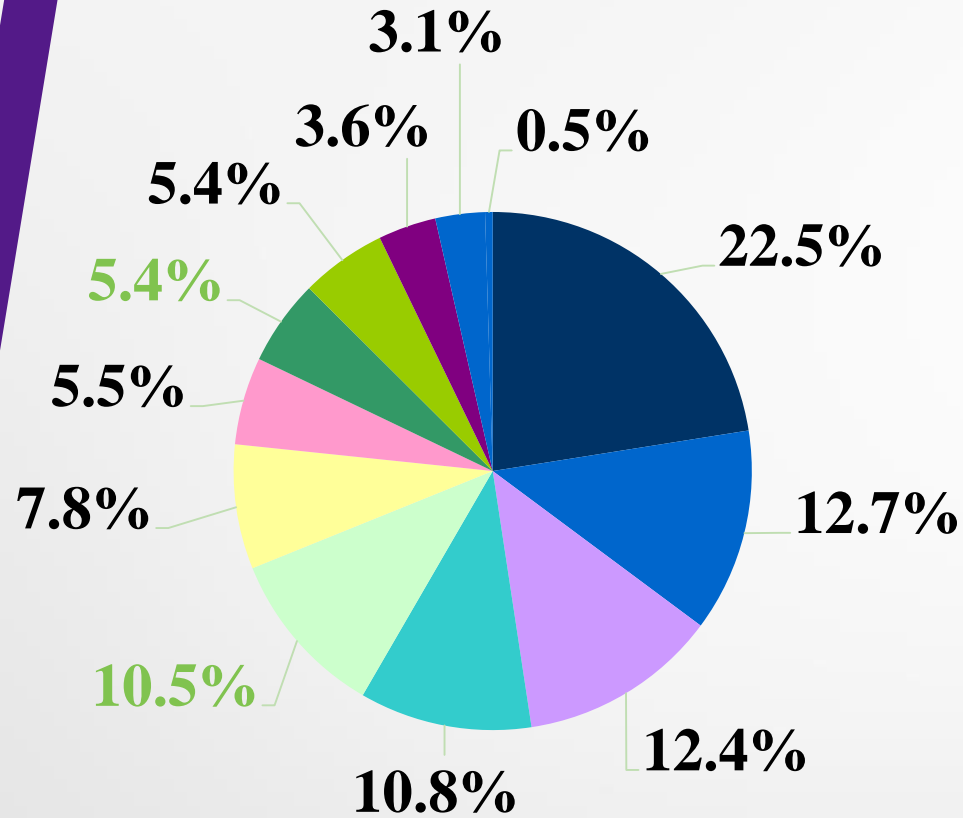


Investments

- Investment Policy
- Yield for 2013 11.42%
- Yield for 2014 7.15%
- Yield for 2015 -.22%
- Yield for 2016 9.86%
- Yield for 2017 15.38%
- Independent Investment Consultant
 - Asset Allocation
 - Money Manager Performance Evaluation
 - Manager Searches



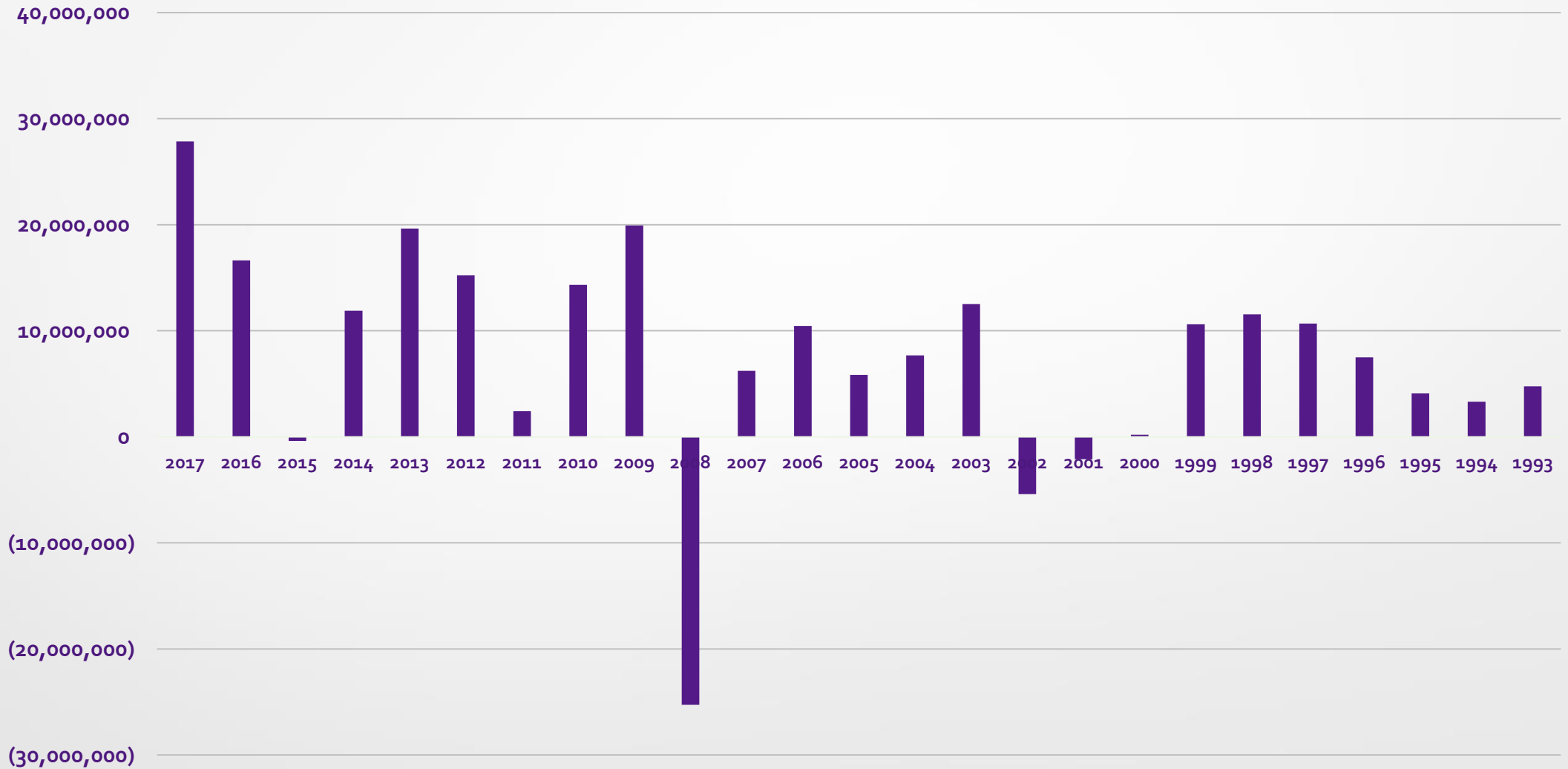
Asset Allocation Year-end 2017



- Northern Trust-S&P 500 - Equity Index Fund 22.5%
- Loomis Sayles-Fixed Income 12.7%
- Western Asset-Fixed Income 12.4%
- Kayne Anerson-Small Cap 10.8%

Investment Earnings

25 Years of Investment Earnings: \$190 million



Reporting

Can be scheduled to run automatically weekly/monthly or on demand.

Most common requests are:

- Open claims
- Closed claims
- Loss runs
 - By department
 - By line of coverage (WC, etc.)
 - By single year, 5 year, 10 year
 - By types of injury (lifting)
- TTD end of year payment reports
- Claim payment activity
 - Historical
 - Type of payment (legal, medical, etc.)



Claims Reports Available

- Deductible Activity Report
- IRMA Activity Report
- Claim Loss & Experience Report
- Coverage and Claim Type Codes
- Quarterly Member Claims Analysis
- Quarterly Claim Detail Report
- Claims Comparison-5 Year Summary
- Open Claims Report
- Closed Claims Report
- Custom Reports as Needed

Riskmaster Live Demo

- Riskmaster is IRMA's insurance claim system that records all activity on a claim
 - Each Member has view-only access to their claim information
 - Can be accessed through the IRMA website (Riskmaster X) or following URL:
 - <https://rmx.irmarisk.net/RiskmasterUI/UI/Home/Login.aspx?ReturnUrl=%2friskmasterui>
 - Need a Riskmaster Member login and password (contact ritab@irmarisk.org)
 - Several different search result screens
 - List of claims can be searched by:
 - Claim number
 - Claimant last or first name
 - Tax ID (social security number) which is the employee number
 - Status-open, open-inactive, closed, reopened, open-subro, subro-installments
 - Event date or a range of dates
 - Department
 - Line of Business

Riskmaster Live Demo (con't)

- **Financial Reserve Information Available by Claim**
 - Shows Incurred, Paid, Collections, and Balance Totals per Reserve Category
- **Financial Transaction History available by claim**
 - Shows the detail of all payments and collections
 - Can be filtered
 - Can be printed
- **Litigation**
 - Lists case number
 - Attorney
- **Claimant Information**

Riskmaster Log In Screen

CSC RISKMASTER Accelerator

Username: Password: [Forgot Password?](#)

- Maximizes your risk-management operations
- Supports high-volume data-entry and multi-user environments
- Provides dynamic information interchange in network systems
- Shares data seamlessly with stake holders anytime, anywhere around the world

CSC

For more information about RISKMASTER and other CSC products, visit us at www.csc.com

Q & A

You have

Questions

We have

Answers



Additional Questions or Concerns? Please contact us

- Rita Boserup, Director, Finance and Administration, ritab@irmarisk.org
- Telly Panousis, Accountant/Financial Analyst, tellyp@irmarisk.org

IRMA

THANK YOU!