



Primary Workers' Compensation Committee Standard Operating Procedures

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Introduction

In every conversation we have, every initiative we explore, and every action we take, we must hold them up against PRISM's Mission, Vision and Core Values. Together, the Mission, Vision and Core Values are our strategic framework and clarify why PRISM exists and what we aim to be. As you review this document, please keep these in mind:

Mission:

Public Risk Innovation, Solutions, and Management (PRISM) is a member-directed risk sharing pool of public agencies committed to providing risk coverage programs and risk management services, which drive member stability, efficiency, and best practices.

Vision:

PRISM will continue to be internationally recognized as a leading risk sharing pool for its member-directed operating philosophy and commitment to member fiscal sustainability. PRISM will continue to influence and shape the future of the risk management profession.

Core Values:

PRISM is dedicated to preserving a member-directed culture, defining standards for quality and performance throughout the industry, and ensuring programs and services are:

- **C**ompetitive in scope and price over the long term
- **A**daptable and customized to meet member needs, based on high-quality standards
- **R**esolute in delivering timely solutions that address present and emerging risks
- **E**quitable in allocating costs and services between various members in a fair and consistent manner
- **S**table in supporting cost-effective, fiscally prudent operations *and* long-term solvency, and in building long-term relationships with members and program/service partners.

Composition

The Committee is comprised of 11 members that participate in the PWC Program, of which 9 are voting members and 2 are alternates who are eligible to vote at any meeting where a voting member is absent. One of the voting seats is designated for a Public Entity representative.

Reference: [Committee Composition](#)

Roles

Committee

The PWC Committee is responsible for all matters pertaining to the PWC Program, with one exception, including but not limited to approval of funding mechanisms, reinsurance placements, new member applications, and settlement of claims. From time to time, the Committee may consider contracting with outside parties for services. PRISM's Executive Committee has adopted a Service Provider Contracting Policy which outlines the process for competitive bidding as well as protocols and authorities for entering into such contracts. The PWC Committee is responsible for determining whether a competitive selection process should be used for procurement of any new member service offerings or a new service provider for an existing member service in excess of \$50,000. Any renewal contract must go to the Committee for approval of the vendor and the amount to be expended.

The PWC Committee has oversight of the following contracts:

- Five TPA Contracts (Sedgwick, Corvel, LWP, Intercare, and Adminsure) – **Removed Hazelrig (3/17/2021 Meeting)**
- PWC Scope of Services - Addendum to Alliant Agreement
- Angela Livingston Collaborations, WC Claims Auditor
- David Donn Consulting, Managed Care Review Services
- Evers Law Group, Employment Law Consulting Services
- Company Nurse
- ExamWorks
- ExpressScripts
- MPN agreement with Careworks

Pursuant to the MOU, the one item that requires action of the Board of Directors is the declaration of an assessment. It is not the expectation of the PWC that there will be pro-rata assessments to the members, however, any assessments which are deemed necessary to ensure approved funding levels shall be made in accordance with Article 14(b)(3) of the Agreement, upon the recommendation of the Committee and approval by the participating members of the Board of Directors.

In order to engage PWC members in the Program and the governance, the PWC Committee serves as a liaison to the other members. As a liaison, the Committee members communicate with their liaison assignments after each meeting to keep them apprised of the work of the Committee. Other communications may take place from time to time as well.

Reference: [PWC Program MOU](#)

Reference: [PWC Mentor Assignments](#)

Reference: [Service Provider Contracting Policy](#)

Chair

- Call/authorize meeting to be scheduled
 - Staff will contact Chair to arrange date, time, location (in-person or WebEx)
 - Once authorized, staff will notify the Committee members via e-mail
- Call the meeting to order
- Orchestrate agenda items
- Recognize members to facilitate orderly debate
- Preside over voting
- Enforce rules of the group
- Expedite the business of the group
- Declare meeting adjournment

Vice Chair

The Vice Chair's role is to assume the responsibilities of the Chair in their absence

Staff

- Assist Chair in facilitating meeting, prepare agenda, take minutes, summarize meeting for those not in attendance
- Advisory to the Committee
- Will make recommendations to assist Committee
- [Sarah Bishop](#) is the staff liaison for this Committee

The Committee has delegated authority to staff for claim settlements up to \$125,000 and to forgo the pursuit of subrogation in claims where appropriate.

Reference: [Claims Settlement Authority 4/22/20](#)

Reference: [Delegation of Authority Regarding Subrogation](#)

Broker

- Advisory to the Committee
- Will make recommendations to assist Committee

Reference: [PWC Scope of Services from Alliant Contract](#)

Consultants

PRISM utilizes consultants for various services, including but not limited to actuarial, legal advice, third party claims administration, and underwriting. Their role is:

- Advisory to the Committee
- To offer recommendations to assist Committee

Responsibilities

Claims Administration

The PWC Committee is responsible for oversight of the TPAs and ensures the claims are being administered properly and efficiently. There are currently 6 approved TPAs: Sedgwick (formerly York, Bragg, SCRMA, and CMI), Corvel, LWP, Intercare, Adminsure, and Hazelrigg. The Committee has requested that the members' satisfaction with the service provided by the TPAs be evaluated annually.

As part of the CAJPA Accreditation Standards, claims audits are required of the TPAs every other year. The auditor(s) is selected by the PWC Committee. The audit reports are presented to the Committee along with a response from the TPA. Members also receive the audit findings on their TPA and the TPA's response. In between formal audits, PRISM staff oversees the claims administration services and reports back to the Committee on any trends or issues that need to be addressed.

From time to time, the Committee will adopt policies relating to the claims administration of the Program. The following are policies that have been adopted by the Committee:

- Policy requiring that all tail claims be administered within a designated unit with one TPA firm when a member withdraws from the PWC Program and changes their claims administrator to a non-approved TPA
- An exception was made for Sutter County to allow their tail claims to be administered by LWP (1/21/15 Minutes, item 5.F.)
- Policy to require all TPAs to use PRISM's claim system
- Policy requiring the TPAs to allocate the medical and indemnity portions of a settlement to the appropriate payment bucket in their claims system
- Claim protocol between the PWC Program and AmTrust
- Policy to require TPAs to bear the cost of additional audits deemed necessary by the Committee due to poor audit findings (6/22/11 Minutes, Item 3.B.)
- Subrogation protocols have been adopted to outline when subrogation will be pursued and the member's involvement in subrogation decisions.
- If CIGA denies coverage on a claim asserting that "other insurance" is available and PRISM is not able to obtain such reimbursement, the PWC Program will assume the liability for the amount that would otherwise fall to the Member.

Reference: [Requirement for PRISM to Have Audits & Actuarials 9/28/98](#)

Reference: [Claims Administration of Tail Claims 2/20/19](#)

Reference: [Sutter County Tail Claims Exception 1/21/15](#)

Reference: [TPA Claim System Requirements 5/22/06](#)

Reference: [Allocation of Claim Settlement Funds 3/20/09](#)

Reference: [Claim Protocol Between PWC and AmTrust](#)

Reference: [6/22/11 PWC Committee Minute Order](#)

Reference: [TPA Marketing Packet](#)

Reference: [Subrogation Protocols](#)

Reference: [Policy Regarding Disputed Claims with CIGA](#)

Coverage Matters

Periodically, the Committee is asked to make determinations on the way coverage is to apply and/or how claims are to be administered. Some of the Committee's determinations are outlined below:

- 4850 Waiting Period - The Program will not cover 4850 benefits for the first 3 days of lost time based on the case law determining that the normal 3-day waiting period also applies to 4850 benefits.
- Wage Loss for Medical Appointments - The Program will not pay for lost time for an employee to attend medical appointments for industrial injuries where the employee is not otherwise off work due to the injury.
- Payment of TD and 4850 Benefits - Members must pay the full salary to the injured employee. The TPA will reimburse the member for the temporary disability amount and will voucher the difference.

Reference: [4850 Waiting Period 6/5/03](#)

Reference: [Wage Loss for Medical Appointments 1/18/02](#)

Reference: [Payment of TD & 4850 Benefits 7/16/97](#)

Claims Settlement Authority

Members are very involved in the resolution of their entity's claims and their input is valued. For the most part, members approve settlement of their entity's claims along with staff and the Committee. Occasionally, members have a different opinion of how claims should be resolved. However, pursuant to the Program MOU, settlement authority ultimately is with the PWC Committee. The Committee has determined that no settlement authority should be delegated to the members (8/28/13 PWC Committee meeting, item 3.G.).

It is not efficient for the PWC Committee to meet every time a claim needs authority. Therefore, they have delegated authority as follows:

- The PWC Committee has delegated full authority to PRISM staff to approve settlements, inclusive of permanent disability advances, within the PWC layer (\$0-125k). (4/22/20 Minutes, Item 3.C.)

The amount delegated is for the total amount to be spent on the claim, not just the amount of the settlement or for "new money".

Settlement authority is with the member for claims settled within their deductible or self-insured retention.

Staff has been directed by the Committee to report all settlements made since the last meeting (12/4/97 Minutes, Item III.B.2.).

In the case of disputed claims with CIGA, if CIGA and/or the provider of the “other insurance” fail or decline to authorize a claim resolution request, staff has authority and does not need to obtain approval from the PWC Committee or PWC Chair.

Reference: [12/04/97 PWC Committee Minute Order](#)

Reference: [8/28/13 PWC Committee Minute Order](#)

Reference: [Policy Regarding Disputed Claims with CIGA](#)

Reference: [4/22/20 PWC Committee Minute Order](#)

Underwriting & Claims Administration Guidelines

The PWC Committee oversees the provisions of the Guidelines pertaining to the PWC Program and may recommend changes to the Executive Committee and Board from time to time.

Claim audits are conducted to evaluate the claims handling services being provided compared to the Guidelines. The PWC Program utilizes one auditor for consistency, which is currently Angela Livingston (4/23/15 Minutes, Item 5.E.).

Reference: [Underwriting & Claims Admin Standards](#)

Reference: [WC Claims Standards \(Addendum A\)](#)

Reference: [4/23/15 PWC Committee Minute Order](#)

Approval of New Members

The Committee has full authority to approve new members for participation in the Program. Staff develops underwriting information for the Committee's review and consideration.

External Underwriting Services

The Executive Committee has approved a proposal from Alliant Underwriting Services (AUS) to provide additional expertise and professional underwriting services. The determination of whether to utilize the services is made on a case-by-case basis by the PWC Committee and generally is only used for prospective members with unusual exposures. The Committee can also determine if an annual AUS review will be required. The cost for the service is 2% of the premium, subject to a maximum of \$20,000. The costs are passed on to the entity as part of their premium if they join the Program. There is no cost to PRISM if the entity does not join the Program.

Reference: [ASIS WC Proposal Adopted 4/19/06](#)

Additional Named Covered Parties

The PWC Committee has authority to approve additional named covered parties within specified parameters. This responsibility has not been delegated to staff.

Approval of Affiliated Non-Profit Named Covered Parties

The PWC Committee has been delegated authority by the Board to approve the addition of non-profit entities as additional named covered parties in the PWC Program subject to:

- Receipt of a completed application including a governing board resolution or minute order;
- A determination that it is an acceptable risk;
- Willingness by the member to accept responsibility for the SIR, premium payment, and to act as a liaison for risk management and loss prevention issues;
- The member providing renewal information;
- The member agreeing to provide appropriate loss prevention services; and
- A written agreement must exist between the member and the non-profit.

Reference: [NonProfits Policy Statement 5/31/12](#)

Memorandum of Understanding

The PWC Committee oversees the provisions of the PWC Program MOU and will approve changes from time to time.

The Committee has established the following policy relating to the MOU provisions:

- Charging members for incurred claims administration penalties due to the member's fault.

Reference: [PWC MOU Revised 12/28/06](#)

Reference: [Penalty Billings 1/18/02](#)

Coverage Document

The PWC Committee oversees the provisions of the PWC Certificate of Coverage issued to the members.

Coverage in the PWC Program is reverse follow form of the EWC Program. Therefore, the Certificate of Coverage provides such evidence to the members along with the appropriate provisions to evidence the primary nature of the Program.

The PWC Committee has delegated authority to staff to approve endorsements to waive subrogation based on a member's request and staff's review of the contract.

Reference: [Delegation of Authority for Waiver of Subrogation Endorsements 8/13/98](#)

Premium Allocation Methodologies

The Committee oversees the provisions of the PWC premium allocation methodologies and may approve changes from time to time. The methodologies are outlined in Exhibit A of the Program MOU. They have also adopted a Target Funding Policy to assist them in making annual funding decisions.

In addition, each PRISM program has determined its own appetite for risk, which generally ranges between very low to neutral (PRISM Risk Tolerance). A low tolerance for risk creates a bias towards transfer of risk. A high tolerance for risk is characterized by a bias toward retention of risk. The PWC Committee has determined that the risk tolerance for the PWC Program is Very Low to Low.

Reference: [Exhibit A to MOU](#)

Reference: [PWC Target Funding Guidelines](#)

Reference: [PRISM Risk Tolerance](#)

The Committee has authority to:

- approve premium deviations from the standard allocation methodologies
- declare dividends
- approve of reinsurance or insurance premiums
- establish the funding mechanism for Unallocated Loss Adjusting Expenses (ULAE)

Pursuant to the MOU, the Committee does not have authority to declare an assessment in the Program. That determination must be made by the Board of Directors. However, the recommendation for an assessment would come from the PWC Committee.

The Committee has adopted the following policies related to premium allocation:

- Establishment of a \$10,000 minimum premium (9/19/02 Minutes, Item II.A.)
- Establishment of a process for the annual payroll audit and premium adjustment process
- Starting 7/1/09, funding for the pool (from \$1 - \$10k per occurrence) has been at the 90% confidence level (5/20/09 Minutes, Item 4.B.)
- New members may have a higher premium than the allocation formula provides, and such surcharge will be weaned off over a three year period (Policy Statement Regarding Rating Mechanism for New Members)
- Annually staff will present a loss analysis for members whose premium is not actuarially based in order for the Committee to determine whether a premium surcharge should be made (4/26/12 Minutes, Item 4.D.)
- If a member changes TPAs mid-term, the ULAE for that member will be adjusted on a pro-rata basis (6/27/12 Minutes, Item 4.A.)

- An exception was made for CSRM, effective 7/1/14, to allow them to have a \$10k deductible. As of 7/1/17, the deductible was increased to \$25k. (4/24/14 Minutes, Item 3.E.)

Reference: [9/19/02 PWC Committee Minute Order](#)

Reference: [PWC Payroll Audit Process 3/20/09](#)

Reference: [5/20/09 PWC Committee Minute Order](#)

Reference: [Policy Statement Regarding Rating Mechanism for New Members](#)

Reference: [4/26/12 PWC Committee Minute Order](#)

Reference: [6/27/12 PWC Committee Minute Order](#)

Reference: [4/24/14 PWC Committee Minute Order](#)

Actuarial Discount Assumption

The PWC Committee approves the actuarial discount assumption to be used in evaluating the outstanding portfolio of losses and the rates for future funding. This decision is based on the long-term investment projections so the assumption rate does not change frequently. The current actuarial discount assumption is 1.5% on the outstanding liabilities on the AmRe years, the SCFAIG portfolio, the outstanding ULAE, and go forward ULAE. The rates and outstanding liabilities for the SUA/AmTrust Years are not currently being discounted.

Reinsurance Placements

The PWC Committee is responsible for review and approval of the Program's reinsurance placements.

AmRe Years

When the Program was initiated in 1997, the Program's reinsurance partner was American Reinsurance (AmRe). They provided the aggregate stop loss coverage for the years from inception through 6/30/04 as well as for the portfolio transfers that were done when the initial members joined the Program. Some exceptions are:

- Butte County joined the Program as of 7/1/00 and was covered by the Am Re aggregate stop loss policy for an additional year (thru 6/30/05).
- The portfolio transfer for the Santa Cruz Fire Agencies Insurance Group (SCFAIG) is not covered by the Am Re aggregate stop loss policy. The Program accepted responsibility for the SCFAIG portfolio transfer and the funding for that liability is tracked separately on PRISM's books (8/27/03 Minutes, Item 4.B.).
- The SCFAIG portfolio transfer was the last one completed in the Program. At that time, the Committee indicated that additional protections and evaluations would be necessary for any portfolio transfers to be considered in the future.

Effective July 1, 2016, the AmRe placement was commuted. A substantial return of funds was made to the PWC Program to cover the remaining outstanding liabilities within the limit of coverage provided by AmRe.

PRISM Affiliated Risk Captive (ARC)

Rather than retaining the risk assumed with the commutation of the AmRe placement, the risk was transferred to PRISM's captive insurance company, PRISM ARC. Because PRISM ARC is expected to generate more interest income than can be achieved by PRISM, the premium to transfer the risk was reduced, providing a savings to the PWC Program.

Loss Portfolio Transfer

The Program began a new partnership with Renaissance Re (RenRe) effective 7/1/04 - 6/30/06, with the exception of Butte through 6/30/05 since that exposure was still being covered by Am Re.

Then at 7/1/04, the aggregate stop loss placement was made with Imagine Re on a multi-year basis 6/30/12. However, Imagine went into a self-imposed run off in late 2008 as its holding company had decided to deploy its assets outside of the insurance industry. A commutation of the reinsurance agreement was effected as of 7/1/09, which essentially meant that Imagine returned \$1M to the PWC Program in exchange for cancelling the agreement as if it had never existed.

In March 2010, the PWC Committee approved terms for a Loss Portfolio Transfer for all outstanding liabilities from the 7/1/04-6/30/09 periods (RenRe and Imagine Re years). The transfer was made with ACE Insurance Company on a reinsurance basis, effective 9/30/09 for a total cost of \$91,600,000. The PWC continues to administer the claims from these years and continues to have settlement authority. However, the risk on these years is transferred to ACE.

SUA/Tower/AmTrust Years (initially referred to as American Safety/SUA Years)

At 7/1/09, the PWC Program entered into an excess insurance arrangement with American Safety Insurance. The real relationship was with SUA, but the policy was issued on American Safety paper. The Program no longer purchased aggregate stop loss coverage. Instead, the Program self-insured the first \$10k per occurrence, and American Safety/SUA provides excess insurance for the next \$115k per occurrence.

In late 2009, SUA was bought out by the Tower Group. Effective 7/1/10, the excess insurance arrangement was moved to CastlePoint Insurance Company, which is a Tower Group Company. This resulted in a reduction in premium since there were no longer fronting fees to be paid to ASI.

On 7/1/12, the PWC placement was moved to AmTrust when Tower decided to not renew the Program. The Program structure remained the same as with SUA/Tower. However, effective 7/1/16, the PWC Program implemented a \$5M Corridor Retention. The \$5M risk was then transferred to the EIO. Doing so provided the members with a premium discount since the EIO is expected to earn more interest than can be achieved through PRISM.

On 5/1/17, the agreement with AmTrust was cancelled and a new 14-month agreement began with Ace/Chubb. The structure is generally the same, however, the Corridor Retention was increased to \$12M, and is planned to increase further in future years. In addition, the Corridor Retention risk was transferred to the EIO.

Reference: [8/27/03 PWC Committee Minute Order](#)

Reference: [5/27/10 PWC Committee Minute Order](#)

Special Considerations

The Committee has authority to make all decisions regarding the Program, including special requests for consideration. One such request, from Santa Barbara County, was approved in 2019. The Program assumed risk for outstanding liabilities from the County for its self-insured risk from 11/1/79 when they joined PRISM's Excess Workers' Compensation Program through 7/1/10 when the County joined the PWC Program. A premium was charged based on the actuarial projection of the outstanding liability at an 80% confidence level, discounted for investment income, plus an administrative fee. The funding position for the assumed risk will be reported to the Committee as part of the quarterly Claim Summary Report.

Program Services and Administrative Costs

The Committee has authority to develop budget policies for the Program and discretion to approve Program services on an optional or mandatory basis. Most often, the services are designed to provide cost-saving opportunities to the members. At the time a service is approved by the Committee, they will also determine how the costs are to be allocated amongst the members or if the cost is one to be charged as an expense of administering the claim.

Some of the services currently provided are:

- telephonic injury reporting services through Company Nurse,
- return to work program services through OUR System and Company Nurse,
- Medical Provider Network (MPN) – mandatory (1/28/05 Minutes, Item 4.F. and 5/22/06 Minutes, Item 3.E.),
- managed care oversight services through David Donn Consulting,
- The PWC Program will subsidize the cost of loss prevention activities for the members up to \$1k per member, per year (5/27/10 Minutes, Item 4.C.), and
- Pharmacy Benefit Management (PBM) Program through ExpressScripts – mandatory (11/7/12 Minutes, Item 3.C.)
- Employment Law Services through the Eyers Law Group (4/20/16 Minutes, Item 4.B.)
- Claims system conversion costs will be borne by the Program with an exception that the Program and member will share the costs 50/50 if a conversion is required because a member wants to change their TPA and they have done so in the last 7 years (2/20/19 Minutes, Item 4.E.)

The Committee is also responsible for overseeing the administrative expenses of the Program and determining how the costs will be allocated amongst the members. They also evaluate and approve the TPA fees and contract terms.

Reference: [PWC Program Budget Policies](#)

Reference: [1/28/05 PWC Committee Minute Order](#)

Reference: [5/22/06 PWC Committee Minute Order](#)

Reference: [5/27/10 PWC Committee Minute Order](#)

Reference: [11/7/12 PWC Committee Minute Order](#)

Reference: [4/20/16 PWC Committee Minute Order](#)

Reference: [2/20/19 PWC Committee Minute Order](#)

Meetings

Meeting Protocol

The Committee has established protocols outlining various issues related to Committee meeting such as scheduling, agenda material, attendance, and participation.

Reference: [PWC Committee Meeting Protocols](#)

Code of Conduct/Ethics Policy

The Board has adopted a Code of Conduct which is applicable to all members, staff, Committees, and the Board.

Reference: [Code of Conduct](#)

Scheduling

The PWC Committee will meet as needed and at the call of the Chair, but also set a tentative schedule of meetings for the year. Below are generally when the Committee will meet to address certain matters, as well as a link to the calendar of meetings for the current year:

- **February/March**
 - evaluation of actuarial analysis and approval of rates for the upcoming year
 - review results of prior year payroll audit
 - approval of reinsurance renewal terms if necessary
- **June**
 - consideration of new member applications
- **August**
 - General business
- **November/December**

➤ General business

Quorum

Pursuant to the Bylaws, a quorum consisting of a majority of the Committee (at least 5 members) must be present in order to conduct a meeting.

Voting

Voting Requirements

Pursuant to the Bylaws, the voting requirement is a majority of the Committee (at least 4 members) for all actions of the PWC Committee.

Conflicts

Pertinent PRISM Code of Conduct Provisions:

2. We are committed to the concepts of democratic, effective and efficient governance by responsible, knowledgeable members of the Board of Directors and Committees with an understanding that official decisions made and actions taken by the Authority are always made in the best interests of the Authority's membership, as opposed to the interests of the Authority's staff, service providers, or other outside interests.

9. We are committed to the principle that conflicts of interest, (defined as situations in which a person has a financial or other interest or the appearance of a conflicting interest that would call into question the person's ability to act in an impartial manner with respect to a matter affecting the Authority) should be avoided and where present shall be fully disclosed. This includes situations when a member of the Board, a Committee, Staff, or vendor has personal interests (including those of his/her family) that are contrary to his/her loyalty to the Authority.

Vote on behalf of the PRISM or the Entity I Represent?

Attorney General Opinion No. 00-708 dated 12/8/00 concluded that a member of the governing board (in this case the PWC Committee) of a joint powers agency may cast a valid vote on a matter before the agency that is inconsistent with the position by the legislative body which appointed the member.

Reference: [Attorney General Opinion No. 00-708](#)

Voting When Conflict Arises:

According to FPPC:

- Disqualification
 - for financial interest (exception when action required)
- Abstention
 - Conflicting loyalties
 - Perception you can't be fair
 - Ethical dilemmas (exception for necessity to take action)

According to Roberts Rules of Order:

- Duty to vote if you have an opinion
- Right to abstain
- Personal interest - must abstain except:
 - vote for self in an election
 - vote if other's interests are included in the motion

Closed Session

Closed sessions may be held in accordance with the provisions of state law and the Brown Act. Information discussed in closed session is confidential. In addition to the PWC Committee and Legal Counsel, only individuals necessary for the discussion will be present. The Executive Committee has appointed PRISM's General Counsel, the Claims Review Committee's Legal Counsel, and the Claims Review Committee's Alternate Legal Counsel to serve as legal counsel to PRISM's Board of Directors and all PRISM Committees for purposes of obtaining legal advice during closed sessions in accordance with the Brown Act (2/2/12 Executive Committee Meeting, Item 5.B.).

Reference: [2/2/12 Executive Committee Minute Order](#)

The PWC Committee has adopted a policy detailing when a Committee member and/or another representative of the member's entity is allowed to participate in closed session discussion regarding a claim or coverage issue from that member. The policy also sets forth whether and to what extent the member can participate in closed session discussion on a claim, how the member should vote if they are participating in a vote on the claim, and under what circumstances the member must leave the discussion before a vote takes place.

Reference: 3/22/22 Primary Workers Compensation Committee Minute Order

Reference: Policy Regarding Members' Participation in Closed Session Discussion Regarding a Claim from that Member's Entity

Glossary of Terms

Aggregate: The term used to describe the cumulative amount of all losses for a period of time

Aggregate Stop Loss: A financial arrangement with the JPA's excess carrier that caps the aggregate to a predetermined limit at which point the excess carrier would "drop down" and pay losses within the JPA's SIR or pooled layer.

Attachment Point: The dollar amount of a loss where the next layer of insurance begins to pay for the loss.

Burning Cost: The premium needed to cover future anticipated losses based on historical experience.

CAJPA (California Association of Joint Powers Authorities): Association of insurance and risk management pools in California. CAJPA performs regulatory and legislative lobbying as well as accreditation of JPAs to promote the financial stability and best management practices.

Commutation: A clause in a reinsurance agreement which provides for estimation, payment and complete discharge of all future obligations for reinsurance losses incurred regardless of the continuing nature of certain losses.

Confidence Level: The confidence level is a percentage estimate of the ultimate pool layer costs. The actuary's expected costs are shown at slightly more than average (approximately 55%). About half the time, the actual costs will be lower than the actuary's estimates and half the time the actual costs will be higher. To be more conservative, pools set aside additional sums of money to increase the chance that enough funds are available to pay claims. For example, if the actuary's estimate at the 70% confidence level is \$1,000,000, then there is a 30% chance that losses will exceed \$1,000,000.

Deposit Premium: Amount of premium paid at the beginning of the coverage period, which is then adjusted to a final premium amount at the end of the coverage period. This is most common in workers' compensation where premiums are based on estimated payroll amounts at inception and adjusted based on actual payroll amounts afterwards.

EWC: PRISM's Excess Workers' Compensation Program

IBNR (Incurred But Not Reported): This is an actuarial term referring to the estimated future loss development as well as the estimated cost of claims that have happened but are not yet included in the claims data. A reserve for IBNR is established by the actuary as part of the Ultimate Loss Costs to contemplate for these future estimated costs.

Incurred Loss: This is the expected value of any claim. It includes the amount already paid plus the estimated amount yet to be paid (reserves).

Law of Large Numbers: A mathematical concept which postulates that the more times an event is repeated (in insurance, the larger the number of homogeneous exposure units), the more predictable the outcome becomes. In a classic example, the more times one flips a coin, the more likely that the results will be 50% heads, 50% tails.

Limit of Liability: The most that will be paid in a loss.

Loss Adjustment Expense: All expenditures of an insurer associated with its adjustment, recording, and settlement of claims, other than the claim payment itself.

Loss Development: The process of change in amount of losses as a policy or accident year matures, as measured by the difference between paid losses and estimated outstanding losses at one point in time, and paid losses and estimated outstanding losses at some previous point in time. In common usage, it might refer to development on reported cases only, whereas a broader definition also would take into account the IBNR claims.

MOC (Memorandum of Coverage): The policy or coverage document issued by the JPA outlining coverage to its members.

Occurrence: An accident or event, which results in personal injury or property damage, neither expected nor intended from the standpoint of the member.

Outstanding Reserve: The claims administrator's estimate of the ultimate expected value of each claim. As moneys are paid out for a claim, the outstanding reserve amount is decreased.

Policy Year: The year commencing with the effective date of the policy or with an anniversary of that date.

Pooled Loss: The portion of a loss that is allocated to, or paid by, the self-insured pool. For example, the EWC Program pools, or self-insures the difference between a members' SIR and \$5,000,000 of each occurrence. Loss costs exceeding this amount are paid by excess insurance.

PWC: PRISM's Primary Workers' Compensation Program.

SIR (Self Insured Retention): This is the amount of each loss the member will be responsible for. Once the value of the claim has exceeded their SIR, the member may seek reimbursement for those expenses in excess of their SIR.

Surplus: The excess of assets over liabilities of an insurance carrier. Surplus determines an insurer's or reinsurer's ability to write business. PRISM refers to its "surplus" as Net Equity.

Trending: The necessary adjustment of historical statistics (both premium and losses) to present levels or expected future levels in order to reflect measurable changes in insurance experience over time, which are caused by dynamic economic and demographic forces, and to make the data useful for determining current and future expected cost levels.

Ultimate Net Loss: The total sum that the insured, or any company as his insurer, or both, become obligated to pay either through adjudication or compromise.

Wholesale Broker: A licensed broker providing specialized insurance products to retail insurance agents and brokers. A wholesale broker will utilize insurers who can consider accounts that the retail agent cannot place with their standard markets. These insurers underwrite specialized or hard to place insurance.

