



VRSA

Virginia Risk Sharing Association



INSIGHT

Presented by:
Scott Moss
Marcus Hensel

VRSA



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- First and most financially sound group self-insurance pool in the Commonwealth of Virginia
- Cities, towns, counties, schools and authorities
- Property, Liability, Workers' Comp, LODA
- 480 members
- ~\$60M annual contributions
- 56 staff
- .46 premium to surplus ratio

CIS



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- 96% of Cities, 78% of Counties
- Property, Liability, Workers' Comp, Employee Benefits
- 330 members
- ~\$60M annual contributions P/C
- \$160M annual contributions Employee Benefits
- 70 staff
- Oregon Public Entity Excess Pool

Partnership



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VRSA
Virginia Risk Sharing Association

Evolution



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VIRGINIA RISK SHARING ASSOCIATION Enterprise Risk Management Policy

Purpose: The Virginia Risk Sharing Association (VRSA) recognizes the management of risk as an integral part of management and is committed to embed risk management practices into its decisions and processes. Risk assessment and treatment is essential for the success of VRSA. This policy provides a framework for managing risk at VRSA.

Definitions

- **Risk:** The impact of uncertainty on achieving VRSA objectives. An impact is a deviation from the expected outcome – positive or negative.
- **Risk Assessment:** The process of risk identification, risk analysis, and risk evaluation.
- **Risk Appetite:** Level of risk that VRSA is willing to accept based on the expected reward.
- **Risk Tolerance:** Measure of the level of risk which VRSA is willing to retain.

Policy

VRSA will:

- (1) Use best practices in risk management to support and enhance our activities, in all areas of our organization.
- (2) Ensure risk management is an integral part of our decision-making processes.
- (3) Use a structured risk management program to minimize reasonably foreseeable deviation to operations.
- (4) Identify and take advantage of opportunities as well as minimizing adverse effects.
- (5) Train our staff to implement risk management effectively.
- (6) Strive to continually improve our risk management practices.

Responsibilities

- The VRSA Managing Director is accountable to the board for the implementation of the risk management process and ultimately responsible for the management of risks in the business.
- All personnel are responsible for managing risks in their areas.

Process

A systematic risk management process has been established, based on recognized standards such as those promulgated by the International Organization for Standardization (ISO) and Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Monitoring and Review

- The board will monitor and review the implementation of the risk management program.
- The managing director will facilitate the development of a common risk management approach across areas of the business by:
 - Implementing the risk management program;
 - Sharing information with broad applicability across all areas;

Top 10



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VRSA Risk Register

Risk Quadrant	Risk Category	Risk Owner	Risk Item	Likelihood	Impact	Ability to change impact
Strategic		Steve	Power Shift at Virginia General Assembly	H	H	L
Strategic		Steve/Robin	Changes in WC laws	H	H	L
Strategic		Steve	Evolution of Technology	H	H	M
Strategic		Steve	Reinsurance Market Conditions	H	M	M
Financial	Investment Risk	Jeff	Market Risk	H	H	H
Financial	Claims Reserving Risk	Robin/Chuck	Incorrect case reserving	L	H	H
Financial	Investment Risk	Jeff	Interest rate risk	H	M	M
Operational	Performance Management	Steve	Loss of key staff	H	H	M
Operational	Performance Management	All	Reliance on third party vendors	H	H	H
Operational	Performance Management	All	Damage to reputation	L	H	H

Strategic Decision Making



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Strategic Decision Making		Incorrect case reserving		
There is a risk that incorrect case reserving may negatively impact the financial strength and stability of VRSA.		Risk Rating		
		Impact	Likelihood	Velocity
Strategic Aims Affected:		H	L	H
A pool that is financially resilient A pool that is affecting the risk management landscape				
Internal Contributing Factors:		External Contributing Factors:		
Claims are reviewed on a case by case basis Workers' compensation commission and varying courts in Virginia Total fund need of VRSA is derived from Underwriting, Reserving, Asset & Credit and Operational risks. Reserving composes 74% of capital needs with WC 53% of total need from PwC Target Fund Balance Review & Analysis 2017 \$186M reserve for losses, \$121 surplus.		WC is statutory and an employee favored law Cumulative injury defense eroding, "single piece of work" case law introduced Legal Political, Medical landscape continually changing Presumption and benefit for first responders Litigious environment, incorrect consensus - Local governments = deep pockets		
Existing Mitigating Factors (Internal)		Existing Mitigating Factors (External)		
Experienced adjusters, Practice conservatism Quarterly claim review for PL & WC Board reporting requirements, WC \$250,000, PL \$100,000 Billing guidelines Reserve authority levels by adjuster, senior adjuster, supervisor, director WC 30 days to investigate and set reserve based on exposure, Committee process. Not specific to VMJIP but approach with attorney, nurse, adjuster provides professional development for all adjusters. Holistic perspective Prescription first fill - generic, opioid defense, pain management and cross checking PL and WC claims audit completed every 5 years		Medical fee schedule applied January 1, 2018. Passed Virginia General Assembly Predictive analytics Actuary review yearly with a look completed 6 months into program year, Bulk IENR - Statute of limitations		
Actions /Monitoring/Controls		Person Responsible		Communication
Departmental dashboards with thresholds implemented Key word search with medical only claims trigger additional review (Working with predictive analytics vendor to finalize data transmission format) Amicus brief filed on bad case law New claims system to include eroding limits		Adjuster WC Director and Supervisors Deputy Director and Managing Director		Committee approach from adjuster to managing director Quarterly claims meetings Board level reporting

Question



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What best describes your organization's approach to risk management?

- A. Don't know
- B. Individual departments and functions handle
- C. Some coordinated effort across the organization
- D. Managed with quantitative metrics for identification, assessment and response
- E. Ongoing improvement with fully developed ERM process to that ties risks to strategies

Insight



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Benefits



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- Connect decisions with organizational objectives
- Conversation
- Moves risk discussion to the decision level
- Document decision making

Why and What's Important



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- What keeps you awake at night?
- Given your functional area, please identify risks within your area. What obstacles or roadblocks exist which will keep you from reaching your objectives?
- “Known Risks”

Examples



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- Succession challenges
- Data tolerance and disruption
- Budget
- Accelerated rate of change
- Legislative/regulatory changes
- Physical site security
- Ability to attract and retain talent
- Social media

Insight



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Entity Profile

Information entered here will be automatically filled in for new decisions.

Entity Name:

ERM Policy

Enter a brief statement that summarizes your entity's ERM policy.

Annual Operating Budget

Top Manager

Name

Title

Email Address

Purposes



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1. Organizational Objectives
2. Departmental Objectives
3. Decisions
4. Organizational Exposures
5. Special Events
6. Special Projects
7. Risk Management Efforts



Steps



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- Objectives
- Team
- Governance Interest
- Tolerance
- Internal Influences
- External Influences
- Opportunities
- Threats
- Action Plan

CIS – Example Pool Use



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- Sample decision to be made by the Board
- Should CIS have a contract between CIS and agents?
- Backstory: CIS allows members to have agents. In the past, CIS has not been involved in the member/agent relationship. A contract laying out expectations between agents and the CIS is under consideration.



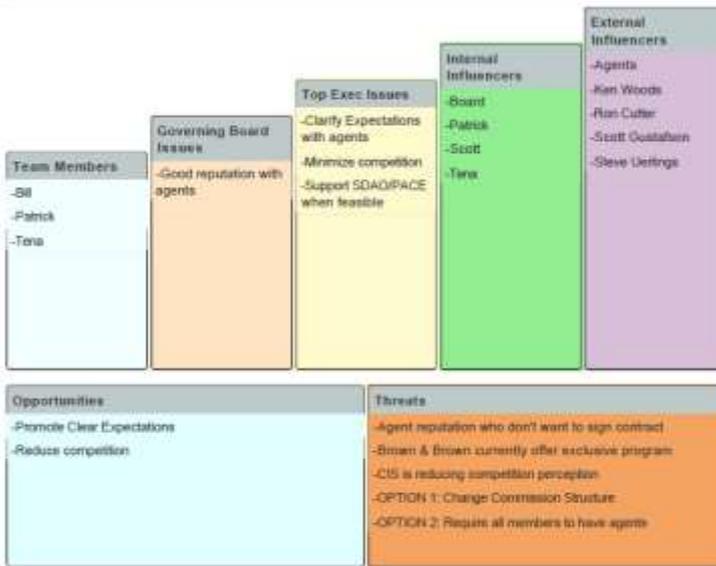
Agent Contracts



Decision At A Glance Decision: Agent Contracts

Prepared for: AAA
Date Generated: 01/08/2020 12:56:25 PM

Decision Description		Purpose
Should CIS require agents to sign a contract		Decision
Organizational Objective	Description	
Market to agents and members	Improve marketing to agents and members	
Departmental Objective	Description	
Improve Agent Relationships	Improve Agent Relationships By Clarifying Expectations	





Opportunity Action Plan Summary
Decision: Agent Contracts

Prepared for: AAA
 Date Generated: 01/08/2020 12:39:33 PM

Decision Description: Should CIS require agents to sign a contract

Opportunity: Promote Clear Expectations Opportunity Owner: Scott

Existing Strategies	Indicators	Performance Measures	Communication Plan
-Agent Session at Conference -Agent Appreciation Lunch -Agent Contract -Meet with agents in their office	-Number of Agents Signing Contract -Agent Survey	-Number of signed contracts	-Agent Exclusive -Agent Session -Board Approval -Meet with Ron Cutter & Scott Gustafson

Color Legend:

Green = Completed Yellow = More than half complete Orange = Less than half complete Red = Not started

Agent Contracts



Agent Contracts



Decision Executive Summary
Decision: Agent Contracts

Prepared for: AAA
Date Generated: 01/08/2020 12:49:54 PM

Description: Should CIS require agents to sign a contract **Date Added:** 01/03/2020 05:40:07 PM
Decision Purpose: Decision **Date Modified:** 01/03/2020 05:40:07 PM
Status: Completed **User:** Admin Buildable

1 Objectives Define your risk/decision's objectives.

Organizational Objective	Description
Market to agents and members	Improve marketing to agents and members

Department: Underwriting Manager Name: Scott Manager Title: PC Trust Manager

Departmental Objective	Description
Improve Agent Relationships	Improve Agent Relationships By Clarifying Expectations

2 Team Define your Team.

Team Member	Title	Email
Bill	Member Relations Manager	blamarche@cisoregon.org
Patrick	ED	ppreis@cisoregon.org
Tena	UW Manager	tpurdy@cisoregon.org

3 Governance Interests Document interest and involvement from governing boards.

Governing Board Issue	Owner	Priority
Good reputation with agents	Scott	Medium (Should involve)

4 Tolerance Determine and document top management risk tolerances.

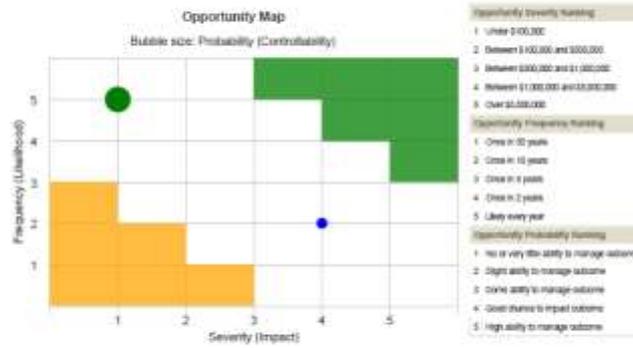


Agent Contracts



Entity Opportunity Potential Decision: Agent Contracts

Prepared for: AAA
Date Generated: 01/03/2020 01:08:10 PM



Opportunity	Section	Description	Opportunity Severity	Opportunity Frequency	Opportunity Probability	Opportunity Potential Cost
Reduce competition	Agent Contracts	Should COT require agents to sign a contract	5	2	2	\$85,721
Reduce Cost Capabilities	Agent Contracts	Should COT require agents to sign a contract	1	5	5	\$15,712
Total						\$101,433

Opportunity Potential Cost: \$85,452 Operating Budget: \$5,000,000 Opportunity Potential Cost as % of Budget: 1.71%

Opportunity Potential	% of Budget
Minor Impact	0-20%
Significant/Modest	10-20%
Significant/Considerable	25-40%
Major/Severe	60-75%
Catastrophic/Critical	75-100%

Gain Predictor (Substrate Only)	Gain	Definition
Maximum Possible Gain	\$1,076,222	Total estimated savings/losses if all opportunities
Possible Possible Gain	\$162,960	Total estimated savings/losses from likelihood
Possible Gain with Controls	\$57,422	Total estimated savings/losses from likelihood times ability to control

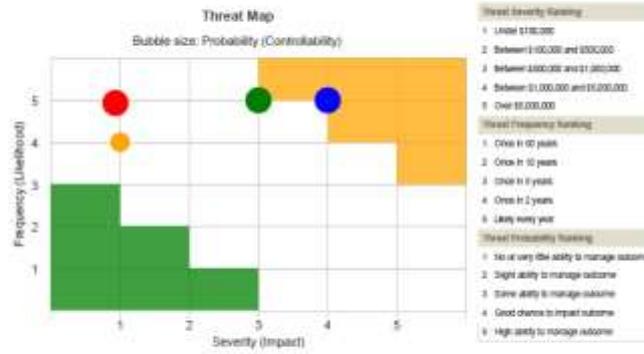


Agent Contracts



Entity Threat Potential Decision: Agent Contracts

Prepared for: AAA
Date Generated: 01/09/2020 01:06:54 PM



Threat	Decision	Description	Threat Severity	Threat Frequency	Threat Probability	Threat Potential Cost
Green & Silver currently offer executive program	Agent Contracts	Should CIS require agents to sign a contract	4	5	5	\$76,800
OPTION 2: Require all members to have agents	Agent Contracts	Should CIS require agents to sign a contract	3	5	5	\$21,750
CIS is reducing competition perception	Agent Contracts	Should CIS require agents to sign a contract	1	5	5	\$11,250
Agent reputation who don't want to sign contract	Agent Contracts	Should CIS require agents to sign a contract	1	4	4	\$2,250
OPTION 1: Change Commission Structure	Agent Contracts	Should CIS require agents to sign a contract	1	5	5	\$20
Total						\$122,750

Threat Potential Cost: \$122,750 Operating Budget: \$5,000,000 Threat Potential Cost as % of Budget: 2.46%

Threat Potential	% of Budget
Identified	0.25%
Marginal Increase	10-20%
Significant Considerable	25-50%
Partially aware	50-75%
Completely critical	75-100%

Member Example



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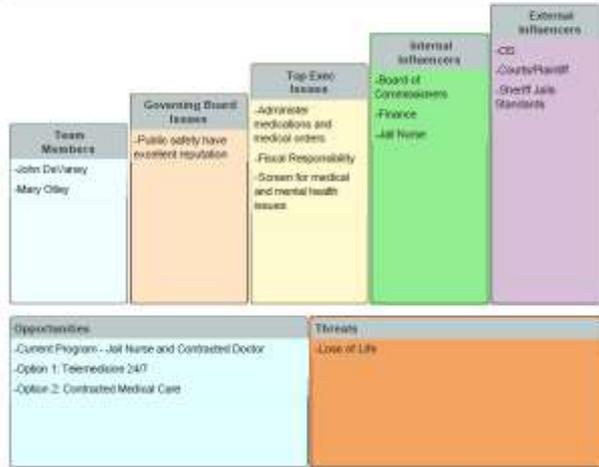
- Sample decision to be made by County Commission
- Should the jail utilize telemedicine?
- Backstory: Jail has part-time nurse and contracted doctor. They recently experienced a death of inmate.

Medical Care in Jail



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Decision Description	Purpose
How Should Berken County Handle Jail Medical Care	Risk Management Efforts
Organizational Objective	Description
Improve Community Policing	Have officers interact with community in positive ways
Departmental Objective	Description
To be a progressive Sheriff's Office that is the cornerstone of public safety in Berken County.	Provide public safety with integrity and accountability.



Medical Care in Jail



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Description: How Should Benton County Handle Jail Medical Care **Date Added:** 01/29/2020 05:12:02 PM
Decision Purpose: Risk Management Efforts **Date Modified:** 01/30/2020 03:40:57 PM
Status: Completed **User:** Admin Buildable

1 Department/Division

Department: Sheriff **Manager Name:** Sheriff Jackson **Manager Title:** Sheriff

2 Objectives

Organizational Objective	Description
Improve Community Policing	Have officers interact with community in positive ways

Department: Sheriff **Manager Name:** Sheriff Jackson **Manager Title:** Sheriff

Departmental Objective	Description
To be a progressive Sheriff's Office that is the cornerstone of public safety in Benton County.	Provide public safety with integrity and accountability.

3 Team

Team Member	Title	Email
John DeVaney	Captain	john@bentonco.org
Mary Otley	Finance Director	mary@bentonco.org

Medical Care in Jail



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Internal Influencer	Role	Priority
Board of Commissioners	Approver	Medium
Finance	Approver	Medium
Jail Nurse	Implementer	High

7 External Influencers

External Influencer	Type	Role	Priority
CS	Regulatory	Input (Provide Guidance)	Medium
Courts/Plaintiff	Social	Interest Considered (but not consulted)	Medium
Sheriff Jails Standards	Regulatory	Input (Provide Guidance)	Medium

8 Opportunities

Opportunity	Owner	Frequency	Severity	Probability
Current Program - Jail Nurse and Contracted Doctor	John DeVaney	Once in 2 years	Between \$1,000,000 and \$5,000,000	Slight ability to manage outcome
Option 1: Telemedicine 24/7	John	Once in 5 years	Between \$500,000 and \$1,000,000	Good chance to impact outcome
Option 2: Contracted Medical Care	John	Once in 10 years	Between \$100,000 and \$500,000	High ability to manage outcome

9 Action Plan

Medical Care in Jail



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Medical Care in Jail



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Decision Description: How Should Benton County Handle Jail Medical Care

Opportunity: Current Program - Jail Nurse and Contracted Doctor Opportunity Owner: John DeVaney

Existing Strategies	Indicators	Performance Measures	Communication Plan
-Jail Nurse -Contracted Doctor Indemnified by County	-Number of procedures	-Total Medical Cost -Number of Claims	-Monthly report to management

Color Legend:

Green = Completed Yellow = More than half complete Orange = Less than half complete Red = Not started

Insight



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<https://enterpriseriskdecisions.org/home>

NC State



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Questions?

