



Contra Costa County Schools Insurance Group

**CCCSIG's Board of Directors Strategic Planning Session  
HANDOUTS**

*What's Going on with JPA's in California*

*Rate Analysis Tool*

*To Lead Create a Shared Vision*

*2016 Strategic Planning Session Survey Responses*



## *What's Going on with JPAs in CA?*

**Just because you're called a JPA doesn't mean you're the same.**

All JPAs are not equal. CCCSIG is a member-owned, member-driven agency. Our goal will always be what is best for our members. We are accredited with excellence and have very high standards for claims administration and reserving (using Self Insured Plan (SIP) reserving guidelines).

There are other not-for-profit JPAs, but they are not like CCCSIG because their operating principles can differ greatly. Some of these agencies promise rate decreases for a certain number of years (which means they can't be using their actuarial study to set their rates) and don't follow the SIP reserving guidelines (they actually calculate the future medical liabilities based on the claimant's life expectancy, then arbitrarily discount this amount by as much as half for all claims). These types of random operating principles are dangerous and can lead to massive underfunding.

Other JPAs that are administered or controlled by profit-based vendors (brokers, Third Party Administrators (TPAs), etc.) often have an inherent problem: the vendors' incentives are not aligned with what is in the best interest of the JPA members. The boards of such organizations must rely on these same vendors for the expert advice the board needs to make policy decisions, and therefore the opportunity for conflicts of interest are many.

**What's best for you may not be best for them.**

As an example, there have been instances where a broker will not present or recommend excess quotes from companies that don't pay a high enough commission, the source of the broker's income. The board and member agencies may not be aware that certain options can save them money in placing this coverage, because the broker does not disclose the options, in order to maximize profits.

If the vendor gets paid as a claims administrator, the more claims they handle, the more money they make. The longer the claims stay open, the more money they make. If the vendor is the administrator, often paid as a percent of contributions to the JPA, the more payroll that is covered, the more profit they make. And, if the vendor plays all of these roles, the best interests of the members can be quickly lost in the complexities of running an insurance-like enterprise.

This situation has been recognized by regulators throughout the country. The National Council of Insurance Commissioners (NCIC) has developed model acts around administrators of self-insurance groups that explicitly call for a separation of functions, to help avoid opacity and conflicts of interest.



### **Who's on the hook?**

When a profit-based vendor is relied upon to manage an agency, it's important to note who's on the hook if things go poorly. As an example, looking at the last paragraph to see that a profit-based vendor makes more money when a pool grows, the vendor knows that a lower rate will attract more members. If they set that rate too low, so that the future liabilities will not be covered by the premiums and the interest they've earned, the members are the ones on the hook to pay the additional funds through assessments. The vendor will have no liability whatsoever, so they are not penalized for doing it wrong, they are actually rewarded through greater earnings. This is obviously a conflict of interest.

### **I can give you \$1.50 Workers' Comp rate for the next 10 years!**

This may be an extreme example, but the fact is with a tail of 30 years or more, it is possible for a Workers' Comp program to get away with an unrealistic rate for a substantial period of time. If you look at the payout pattern for the ultimate costs of a policy year, it can take 7-8 years or more to pay out 75% of the ultimate cost. So if the agency has only collected 75% of the premiums they should have collected, it will take well over 10 years for the problems to show up, because each of the subsequent years will be only part way down the payout pattern, so there will not be a shortage of funds for a long time (there will be even more funds if the program is growing, hiding the problems even longer).

The problem comes when this program matures, particularly if they stop growing or start shrinking. This will be when it becomes evident that there aren't enough funds to cover the liabilities that are owed. So now that the program knows it has been setting its rate too low, it will have to raise the current rate 33% to the \$2.00 it should have always been. On top of this it will need to start collecting the funds to make up for what it should have been collecting over the last 10+ years through an assessment. If we assume it will assess over the next 10 years for the 10 years it under collected, that would be another 33% raise over the original rate to \$2.50. So a public agency's rate has grown from \$1.50 to \$2.50 in one year's time, a 67% increase for that budget line item. There is one other component that was not figured into this calculation, and that is because these funds were supposed to be earning interest since day 1, the lost interest earnings will mean that the claims liabilities will be higher because you can't discount them as much.

If I am the profit-based vendor administering this program, and I averaged \$300,000 a year in profit, I would walk away with \$3,000,000 after 10 years and have no liability for any portion of the underfunded program, it will all rest with the public agency members.

### **Where is the CAJPA market headed?**

JPA's began forming in CA in the early 1970's. As in any new industry, many different agencies were able to grab a portion of the overall market. Now that the industry has reached a point of maturity, with 150+ JPA's doing business in CA, it is reasonable to assume that as in other industries, the market will begin to consolidate. We believe it is important for those JPA's that are truly member-owned & member-driven to position themselves for the next generation. We also believe that multi-faceted agencies, offering some diversification of products and services, will be better-positioned to survive and thrive.



## Rate Analysis Tool

- What is the Rate?
- What is the Self-Insured Retention (SIR)?
- What is Excess Coverage limit?
- Are there limitations on Excess Coverage? (CAP (i.e. up to \$40M), Aggregate Stop Loss, etc.)
- What is Assessment Policy? (Policy year accounting, Rolling Window, other?) (Will you be paying assessments on years you weren't in their program?)
- What confidence level is it funded at?
- How do they fund? (At expected, 80% Confidence Level, just current years costs, etc.)
- How is their financial stability? (Are they continually assessing? Are they discounting claims liabilities without the funds to earn the expected interest?)
- Who are the members you would be pooling with? (Just schools, or including much riskier cities, counties, firefighters, police, etc.)
- Do you get a meaningful vote on pool decisions? (In a superpool, you may not get a vote, and if you do it would be one out of a large number.)
- What services are included? (Company Nurse, Early Return-to-Work, On-Site Health and Safety Services, Post Offer Pre-Employment Testing, In House Claims Administration vs Third Party Administrator who will be focused on making a profit, etc.)
- Will you get custom help from agency, or will you be just another member?
- Same claims administration philosophy or different for each member? (Different for each member can lead to Actuarial data that could grossly underestimate ultimate cost for policy year (means assessments later on.)

## Excerpt from Harvard Business Review: James M. Kouzes and Barry Z. Posner “To Lead, Create a Shared Vision”

### What is a Vision Statement?

A Vision Statement:

- Defines the optimal desired future state - the mental picture - of what an organization wants to achieve over time;
- Provides guidance and inspiration as to what an organization is focused on achieving in five, ten, or more years;
- Functions as the "north star" - it is what all employees understand their work every day ultimately contributes towards accomplishing over the long term; and,
- Is written succinctly in an inspirational manner that makes it easy for all employees to repeat it at any given time.

Leaders may change, but a clearly established Vision encourages people to focus on what's important and better understand organization-wide change and alignment of resources.

Defining an organization's Vision is not always easy for senior leadership to do. James M. Kouzes and Barry Z. Posner wrote an article about this challenge for Harvard Business Review, [To Lead, Create a Shared Vision](#)

Kouzes and Posner, also creators of "The Leadership Practices Inventory," analyzed responses from over one million leaders about this. The data indicated that one of the things leaders struggle with the most is "communicating an image of the future that draws others in - that speaks to what others see and feel." Kouzes and Posner's research also indicated that "being forward-looking - envisioning exciting possibilities and enlisting others in a shared view of the future - is the attribute that most distinguishes leaders from non-leaders."

### Examples of effective Vision statements include:

**Alzheimer's Association:** "Our Vision is a world without Alzheimer's disease."

**Avon:** "To be the company that best understands and satisfies the product, service and self-fulfillment needs of women - globally."

**Norfolk Southern:** "Be the safest, most customer-focused and successful transportation company in the world."

**Microsoft:** "Empower people through great software anytime, anyplace, and on any device."

**Reston Association:** "Leading the model community where all can live, work, and play."

## **What is a Mission Statement?**

A Mission statement:

- Defines the present state or purpose of an organization;
- Answers three questions about why an organization exists -

**WHAT** it does;  
**WHO** it does it for; and  
**HOW** it does what it does.

- Is written succinctly in the form of a sentence or two, but for a shorter timeframe (one to three years) than a Vision statement; and,
- Is something that all employees should be able to articulate upon request.

Some businesses may refine their Mission statement based on changing economic realities or unexpected responses from consumers. For example, some companies are launched to provide specific products or services; yet, they may realize that changing **WHAT** they do, or **WHO** they do it for, or **HOW** they do what they do, will enable them to grow the business faster and more successfully. Understanding the Mission gives employees a better perspective on how their job contributes to achieving it, which can increase engagement, retention, and productivity.

Having a clearly defined Mission statement also helps employees better understand things like company-wide decisions, organizational changes, and resource allocation, thereby lessening resistance and workplace conflicts.

## **Examples of effective Mission statements include:**

**Erie Insurance:** "To provide our policyholders with as near perfect protection, as near perfect service as is humanly possible and to do so at the lowest possible cost."

**NatureAir:** "To offer travelers a reliable, innovative and fun airline to travel in Central America."

**Nissan:** "Nissan provides unique and innovative automotive products and services that deliver superior, measurable values to all stakeholders in alliance with Renault."

**St. Paul Fire and Marine Insurance Company:** "To lead the Canadian specialty commercial insurance industry through innovation, expertise and by providing products and services to satisfy the needs and exceed the expectations of our customers and business partners."

**Target:** "Our mission is to make Target the preferred shopping destination for our guests by delivering outstanding value, continuous innovation and an exceptional guest experience by consistently fulfilling our Expect More. Pay Less.® brand promise."

If there is no downside to having a clear Vision and Mission, why do some organizations not have them, or have poorly written ones on their websites, lobby walls, brochures, etc.? Some of the reasons I've heard are:

- "It takes too much time to develop them."
- "We will never reach consensus."
- "Our CEO wrote our Vision, which we know is more like a Mission statement with our values mixed in, but no one is going to question it."
- "Everyone that works here already knows what we do, so what is the benefit of writing a statement about it?"
- "We have our goals - who needs a Vision or Mission?"
- "It's expensive to take people away from their real job to focus on it."
- "Actually defining our Vision and Mission will mean changes in the organization - who has time to deal with more resistance to change?"

In my opinion, none of these reasons outweigh the benefits of having a well-written Vision and Mission statement. If an organization cannot define its "reason for existing" (Mission) or "where it is going" (Vision), how can it align people, processes, products or services towards a successful future?

Not having a clearly defined Vision and Mission limits opportunities for the organization's success, and is a disservice to employees who show up for work every day. If an organization wants engaged and productive employees, it should make sure that they know how their work contributes to accomplishing the Mission (current state) and ultimately to the Vision (future state).

In addition to other benefits already mentioned, a clear Vision and Mission statement can:

- Strengthen culture through a unified sense of purpose;
- Improve decision-making with clarity about "big picture;" and,

- Enhance cross-functional relationships through a shared understanding of priorities.

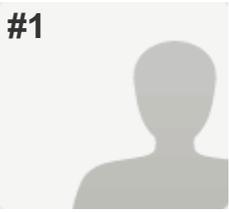
It's never too late for an organization to define its Vision and Mission. Some even reinvent themselves through the strategic planning process, beginning with these two core elements.

Different approaches for developing a Vision and Mission range from online tools for self-directed work groups, to engaging a professional strategic planner to facilitate the group discussions and manage the development process over a period of several months.

Regardless of how an organization creates an effective Vision and Mission statement, it is important that they be embedded into the culture through clear and consistent communications from the highest levels of an organization.

As [Jack Welch](#)(link is external), Chairman, General Electric said, "Good business leaders create a vision, articulate the vision, passionately own the vision, and relentlessly drive it to completion."

#1



**COMPLETE**

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**Time Spent:** 00:03:39  
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**Q1: Please complete both of the following fields.**

Name: Sheri Gamba  
District: WCCUSD

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**Q2: Please share your thoughts on key trends and current issues needing attention that can be addressed by CCCSIG.**

Identifying specific areas that accidents are happening and cause in a "micro" way - like Special Ed issues with students.

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**Q3: What do you feel are the top three priorities that the Group should consider in the next one to three years?**

First Priority	Targeted training for high incident or high cost claims
Second Priority	Cost containment and financial management
Third Priority	Updated policies and procedures clearly communicated

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**Q4: Please share your thoughts on any potential threats needing attention that can be addressed by CCCSIG.**

Making sure member districts know and understand the added value our JPA offers  
Making sure member districts are taking advantage of the valuable services

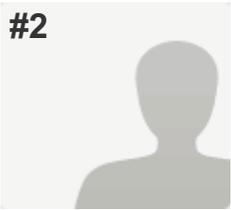
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**Q5: Additional Comments:**

CCCSIG does a great job. We need to make sure we are marketing ourselves well.

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#2



**COMPLETE**

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**Time Spent:** 00:10:59  
**IP Address:** 207.62.211.2

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**Q1: Please complete both of the following fields.**

Name: Gene Huff  
District: Contra Costa CCD

**Q2: Please share your thoughts on key trends and current issues needing attention that can be addressed by CCCSIG.**

I am aware of nothing specific. Suggestions from staff would be helpful.

**Q3: What do you feel are the top three priorities that the Group should consider in the next one to three years?**

First Priority	Maintain fiscal viability
Second Priority	Continue to partner with clients, providing excellent service
Third Priority	Look for ways to be proactive and differentiate CCCSIG from other WC providers

**Q4: Please share your thoughts on any potential threats needing attention that can be addressed by CCCSIG.**

Departure of key long-tenured employees.

**Q5: Additional Comments:**

We're likely to face another economic downturn in the next few years and need to be prepared for districts to consider alternative, possibly less costly (real or perceived) providers. Something to consider is how to better market what differentiates CCCSIG from other WC providers.

#3



**COMPLETE**

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**Q1: Please complete both of the following fields.**

Name:	Margaret Kruse
District:	Brentwood

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**Q2: Please share your thoughts on key trends and current issues needing attention that can be addressed by CCCSIG.**

*Respondent skipped this question*

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**Q3: What do you feel are the top three priorities that the Group should consider in the next one to three years?**

First Priority	Continued financial stability
Second Priority	Continued controls to contain rates
Third Priority	Continued education for districts

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**Q4: Please share your thoughts on any potential threats needing attention that can be addressed by CCCSIG.**

*Respondent skipped this question*

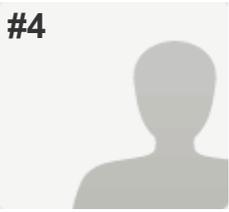
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**Q5: Additional Comments:**

*Respondent skipped this question*

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#4



**COMPLETE**

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**Last Modified:** Monday, February 08, 2016 1:55:16 PM  
**Time Spent:** 05:22:58  
**IP Address:** 169.199.155.65

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**Q1: Please complete both of the following fields.**

Name: Liz Robbins  
District: Liberty

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**Q2: Please share your thoughts on key trends and current issues needing attention that can be addressed by CCCSIG.**

We would like to have better communication and in some cases more aggressive plan to close some of the claims.

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**Q3: What do you feel are the top three priorities that the Group should consider in the next one to three years?**

First Priority how to deal with repeat offenders of workers comp claims

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**Q4: Please share your thoughts on any potential threats needing attention that can be addressed by CCCSIG.**

The length of time some of our employees go out on workers comp and have been doing this for years.

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**Q5: Additional Comments:**

*Respondent skipped this question*

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#5



**COMPLETE**

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**Last Modified:** Wednesday, February 17, 2016 10:46:35 AM  
**Time Spent:** 00:35:11  
**IP Address:** 169.199.43.231

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**Q1: Please complete both of the following fields.**

Name: Kathy Bell  
District: Moraga

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**Q2: Please share your thoughts on key trends and current issues needing attention that can be addressed by CCCSIG.**

Health Benefit program and dealing with the effects of ACA on that group's membership.

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**Q3: What do you feel are the top three priorities that the Group should consider in the next one to three years?**

First Priority	Maintaining our excellent, well run program
Second Priority	Continued outreach to districts, to keep WC costs to a minimum
Third Priority	Health Benefit Program

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**Q4: Please share your thoughts on any potential threats needing attention that can be addressed by CCCSIG.**

Insurance laws and industry standards of which I am not the most savvy on, always seem to be a threat in any industry.

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**Q5: Additional Comments:**

I am pleased with CCCSIG leadership and ability to keep on top of issues with the JPA and the industry. We are very fortunate to have this organization serving the districts of CC County!!!!

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#6



**COMPLETE**

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**Q1: Please complete both of the following fields.**

Name: Lenee Cadotte  
District: Lafayette School District

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**Q2: Please share your thoughts on key trends and current issues needing attention that can be addressed by CCCSIG.**

Continue to find ways to keep rates low via health and safety programs  
Continue to identify "efficiencies" in the organization to keep costs low

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**Q3: What do you feel are the top three priorities that the Group should consider in the next one to three years?**

First Priority Low rates  
Second Priority Health & Safety Programs  
Third Priority Organization Stability and Going Concern

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**Q4: Please share your thoughts on any potential threats needing attention that can be addressed by CCCSIG.**

As changes in staff occur, it is essential for management to insure CCCSIG's stability and going concern as a viable organization.

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**Q5: Additional Comments:**

Kudos to management and staff of CCCSIG for the great work you do for our Contra Costa County school districts.

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