



Public Universities Risk Management &  
Insurance Trust  
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## **PURMIT Board of Trustees Meeting**

August 6, 2015

1:00 p.m. – 1:30 p.m.

Via Conference Call

Phone: 1-800-689-9374, Passcode: 700464

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### **Agenda**

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1. Call to Order, Roll Call, Welcome
2. Financial Auditor Discussion
3. Claims Protocol and Procedures Discussion
4. Adjournment

PURMIT

Auditor RFP - Reference Check

| McGladrey         |   |   |   |
|-------------------|---|---|---|
|                   | <u>LMCIT</u>  | <u>SDML</u>   | <u>ASB WC/P&amp;C</u>   |
| Operations        | Cities and town pool in MN  | Cities and towns pool in SD   | School District pool in SD  |
| Discussed with ?  | Finance Director  | Director of Risk Sharing Services   | CFO   |
| Length of Service | 4+ years  | 9+ years  | Many years - not certain of exact length of time  |
| Audit Process     | Very thorough, a large amount of work for client and administrator, initial training quite involved but once get through this the process is relatively smooth, visit client and admin offices during audit process | A lot of work for the league, transparent and thorough process, very detailed (some times too much), familiar with risk pools, make good recommendations to board | Very detailed, passionate, thorough, very polished presentation skillset, on site visit for audit, solid team good to work with, solid relationship, large firm resources pull from experience base and other clients to provide wide depth and understanding of pooling operations |
| Presentation      | Will present to Board   | Have presented to Board   | Will present to Board   |
| Recommend         | Yes - solid pooling background  | Yes   | Yes   |

| K Financial       |   |  |                                      |
|-------------------|---|--|--------------------------------------|
|                   | <u>CO Intergovernmental Risk Sharing Agency</u>   | <u>University of CO</u>  | <u>CO Counties</u>                   |
| Operations        | Cities and town pool in CO  | University   | Counties Pool                        |
| Discussed with ?  | CFO   | Chief Risk Officer   | No discussion - back in office Aug 3 |
| Length of Service | 4+ years (RFP every 4 years per guidelines)   | Many years   | NA                                   |
| Audit Process     | Principal was auditor for KPMG in prior life, very knowledgable about pooling, work direct with partner, low staff turnover, solid performer during tenure, provides great detail and service to the organization, accurate, accountable and predictable performer, sticks to engagement responsibilities | Very detailed, ability to present difficult/complex topics into easy to understand items and board actions, fair pricing for the work, detailed reports, presentation to Board when requested, low overhead and smaller shop make them very nimble and proactive with their approach | NA                                   |
| Presentation      | Will present to Board   | Have presented to Board  | NA                                   |
| Recommend         | Yes - solid pooling background  | Yes  | NA                                   |

August 5, 2015

To: PURMIT Board of Trustees

From: Ryan Britz

**Re: PURMIT – Claim Handling Procedure and Protocol**

In response to the request of the Board at the July 23 meeting, Berkley Risk has generated the following overview and solutions to the claim handling process for PURMIT. Berkley Risk recommends consolidation of the claim handling process into the administration function, as it will improve collaboration, information sharing and improved data analytics between department functions. We have also identified one additional option for consideration herein.

**Where we need to go**

PURMIT's current Technical Procedures document outlines what needs to happen in the event of a claim. While the document provides a solid framework for claim handling procedures, implementation of the procedures becomes a complicated matter. The interest of the Trust and the significant retentions need to be at the forefront of the claims adjudication process. Establishment of Trust claim philosophy and general claim handling conduct are critical pieces to the protection, interest and success of the Trust.

Currently, each university is adjudicating their own claims (with the exception of claims handled by Sedgwick). While this approach can work, there needs to be a level of oversight and management on behalf of the Trust. Each university may have their own claim philosophy in place that could be contrary to the Trust, as well as each other. In order to provide process and procedure for claim handling while maintaining the interest of the Trust, the following items need to exist:

- Best practices outlining Trust philosophy and claim handling procedures
- Collaboration amongst administration functions and vendors
- Oversight of claims to maintain Trust philosophy

## **Best Practices**

Best practices are the foundation for establishing the Trust's intent and approach to claim handling. It is the essential function for claims to provide indemnity/coverage against loss as dictated by the Trust. Below is an example of Best Practices that would benefit the Trust claim approach:

- Claim philosophy and general conduct
- Claim receipt/initial claim contacts
- Coverage verification and confirmation
- Investigation
- Reserves – Consistent Practices
- Evaluation
- File Diaries
- Authority
- Check signing authority
- Reporting requirement
- Recovery
- Litigation management
- Claim audits
- Cost containment/vendor management
- General standards and ethics

## **Collaboration**

Collaboration of claims information internally for the administrator as well as externally with vendors ensures that the philosophy, policy and procedures in place by the Trust are adhered to. It is critical that internal functions of underwriting, claims and accounting are in constant communication about claim trends, settlements, policy wording impacts and potential problem areas. This communication facilitates additional discussion with the Board concerning areas of Trust retention levels, coverage pricing considerations, structure changes, and overall risk management techniques to be used by the Trust and its members. In addition, the collaboration of internal departments offers more robust and complete data analysis and information for the Board when considering structure, retention, and coverage offerings.

In addition to the internal benefits, claim philosophy and procedure has a direct effect on the actuarial and audit reports. A clear understanding of the Trust procedures and guidelines are needed by external vendors to ensure accurate and timely reports.

## **Moving Forward**

Adherence to Trust policy and procedure is critical to the success of PURMIT. To ensure the interest of the Trust during the claim adjudication process, below are two options for the Trust to consider:

- Option A: Oversight and review by administrator – the Trust members adjudicate claims on their behalf and the administrator provides oversight and assistance throughout the life of the claim. Replace risk master software with current in-house claims software. Overview of process would be as follows:
  - All claims are reported to administrator for set up in claims system
  - Administrator work with each university to handle claim, providing assistance/oversight through life of claims:
    - First report of loss
    - Coverage review and claim acceptance
    - Claim tracking
    - Medical Management Systems
    - Legal review/investigation/legal counsel collaboration
    - Claim/policy monitoring
    - Excess carrier transition/monitoring/notice
    - Full and final closure of claim
  
- Option B: Total claim adjudication – the Trust hires administrator to handle all claims reported by Trust members. Essentially, this would be the Trust member turning over control of the claim to the administrator who would then adjudicate the claim from cradle to grave. Replace risk master software with in-house claims software. The Trust member would have minimal involvement in the adjudication process.

Berkley Risk is prepared to initiate data transfer from existing system to in-house software and begin claim processes, as outlined in Options A and B above, effective 11/1. Should the Board choose an RFP approach, anticipated start date would be first quarter 2016.

The options identified can be structured to meet the needs of the Trust. Controls, best practices and claim procedures are key to the financial stability and success of the Trust. Establishment of formal claim adjudication process is an integral part to the success of a solid claim handling organization. Implementation of one of the above options will serve to further enhance the financial solubility of the Trust for the benefit of its member universities.