

# Department of Administrative Services



## 2025 Risk Management Overview

Shelly Hoffman, Risk Manager

Karl Anderson, Risk Finance Analyst

Bonnie Robbins, Risk Consulting Manager

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# Agenda

- 01** Overview
- 02** Insurance Fund Updates
- 03** Agency Risk Mitigation



# Overview



- Risk Management insures state agencies, property and activities of state government **within all branches of Government.**
- This is done through a blend of self insurance and commercial insurance.
- When loss does occur, DAS Risk manages the claim process and partners with DOJ on litigated claims.
- Agencies are assessed risk charges, at the legislatively approved amount, for risk management and losses paid on their behalf.

# DAS Risk Management



## **Claims**

Responsible for addressing tort claims and losses to state-owned property as well as recovery from at fault parties.

## **Risk Consulting**

Responsible for underwriting the state's self insurance program, purchase of commercial insurance, liability and insurance consultative services, Workers Compensation program partnership with SAIF for in-state insurance and coordination out of state Workers Compensation coverage.

## **Admin.**

Risk charges development and program administrative support

# Self Insurance Coverage



## Self Insurance Policies

### 1. Agency Liability Self Insurance Policy

Covers tort claim expenses when allegations of wrongdoing are presented against an agency

### 2. Liability Self-Insurance Policy for State Officers, Employees and Agents

Covers tort claim expenses when allegations of wrongdoing are presented against State Officers, Employees and Agents while in course and scope of their employment

Examples of the two above claims such as Vehicle accidents, General liability claims, Employment claims, State owned building damage

### 3. Agency Property Self Insurance Policy

Covers agencies for their property damages.

Building and contents losses listed by agencies for their owned property.

# Commercial Coverage



## **Excess commercial property program**

Risk works with multiple insurance carriers, in both the domestic and foreign marketplace.

## **Workers Compensation Policy with SAIF Corporation**

A retrospective rating plan with State Accident Insurance Fund (SAIF)  
DAS contracts with SAIF to administer the plan and repays all claims.

## **Agency-specific policies**

Builder's risk for construction projects with costs over \$25 million (Capitol)  
Migrant Student Accident Insurance (Education)



# Insurance Fund Updates



# The Insurance Fund



## **The Insurance Fund established by ORS 278**

- Provides ongoing funding for risk management.
- Funded by agency assessments- beginning with a recommendation from qualified external actuaries.
- The fund pays commercial premiums, losses and settlements.



## **Cost of Risk includes:**

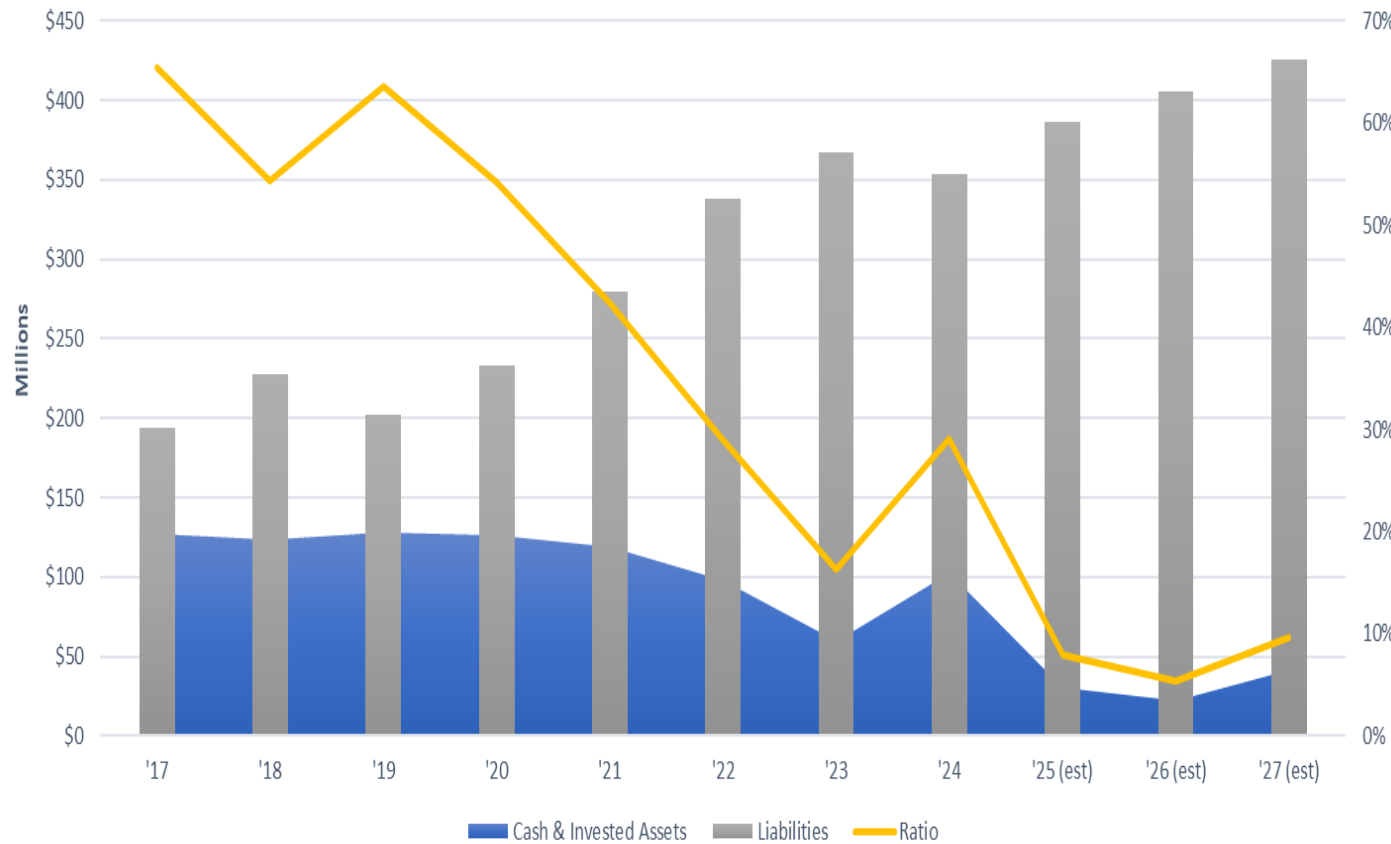
- Worker's Compensation insurance premiums
- Commercial Insurance Premiums
- Liability Claims
- Restoration Claims (state-owned property)
- Administrative Costs



# Declining Fund Health



Insurance Fund Assets vs Liabilities, and A/L Ratio



## Projections assume

- No changes to recent trends
- \$303M assessments in 2025-2027 (assuming full GRB request)
- No new large payouts

*Liabilities (grey) external actuary estimates based on claims to date*

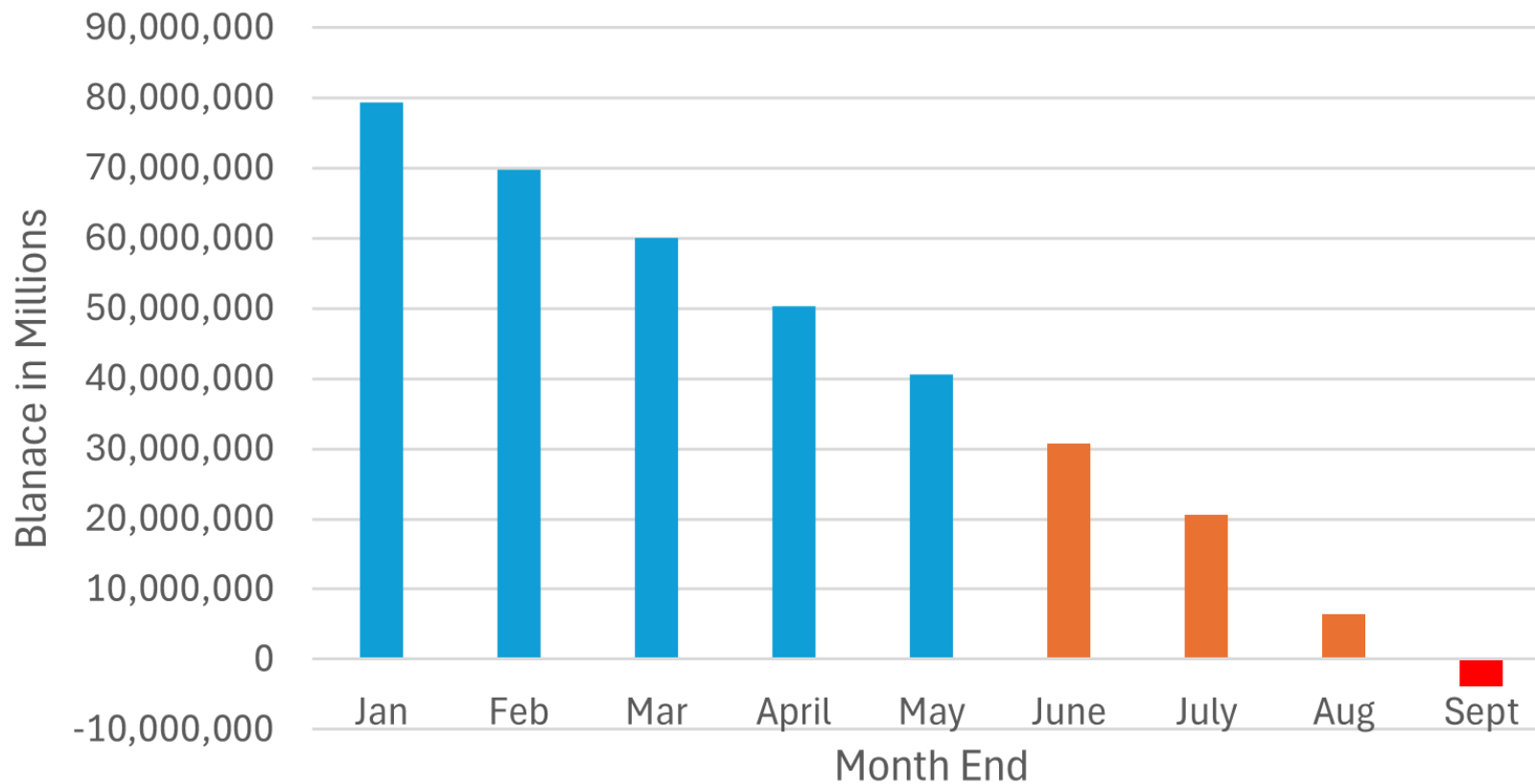
*Assets (blue) available for claims*

*Funded ratio (yellow) Target ratio is 70%.*

# Declining Fund Health



Projected Fund Balance throughout 2025



# Declining Fund Health



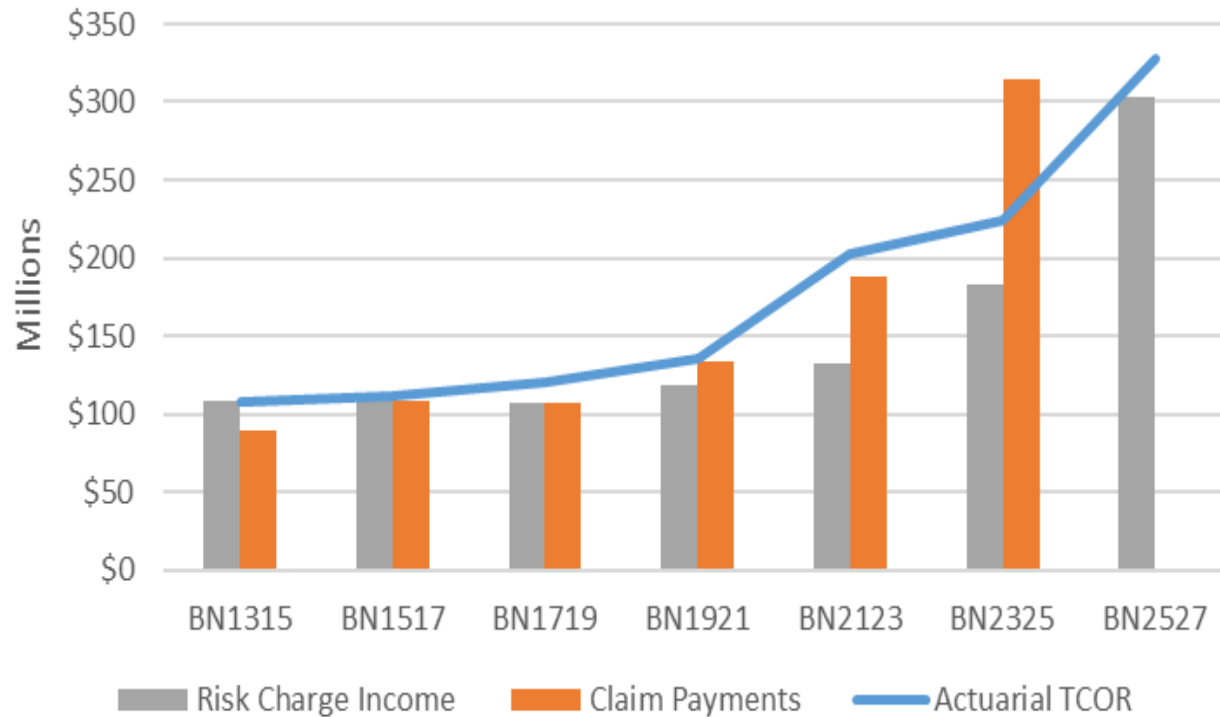
## **Major Drivers of Current Situation-** Insufficient Income versus Payments

- Prolonged underfunding of the Insurance Fund
- Rising cost of defense and other costs of claims and litigation.
- Complex cases require DOJ to contract for outside counsel for defense.
- Oregon Tort Claims Act (OTCA) increases caps annually for state negligence claims.
- Pandemic case backlog still moving through the legal process with high impact anticipated.
- Increased commercial insurance premiums
- Workers Compensation: Increased PTSD presumptive cases and medical inflation

# Summary-Trends



Insurance Fund Performance



Agency risk assessments are not keeping up

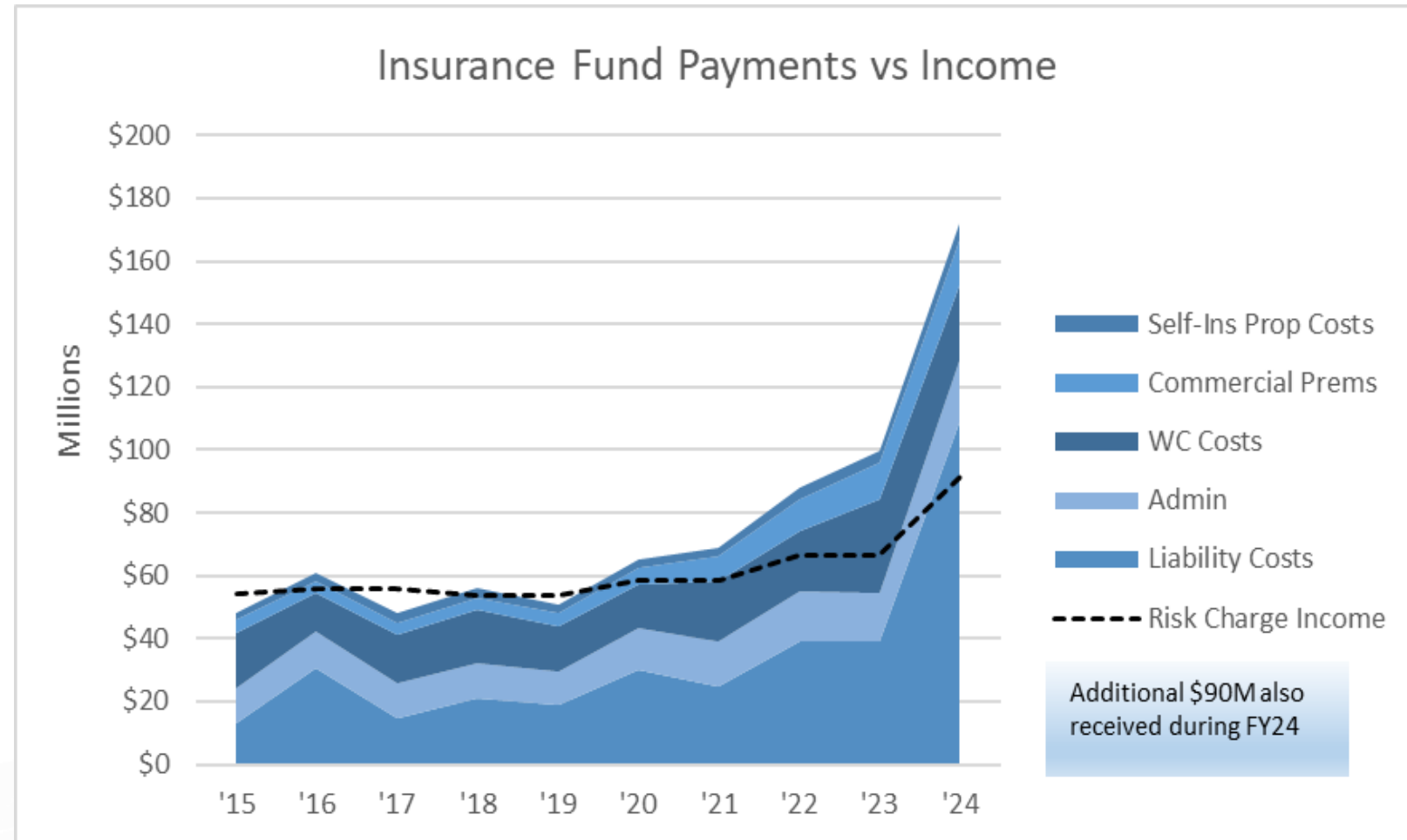
Gap has widened

Between FY18 and FY25 funding lagged **total cost of risk (TCOR)** by a cumulative total of about \$150 million

# Summary- Large Payments



- FY24 had record payments
- FY24 had higher payments for liability coverages than for all coverages in prior years
- A small number of very large losses
- Growth in payments expected to continue



# Significant Cases in Litigation



- **Maney et al vs ODOC-** Class action of negligence related COVID protocols
- **DHS claims and litigation-** Claim allegations on behalf of minor children for harm caused
- **Monteith et al vs State of Oregon-** Alleges wage claims from new payroll system rollout of Workday
- **Family Care, inc. vs OHA-** Allegations of Interference in business relations
- **Bayer Crop Science vs DEQ-** Contribution claim for Alkali Lake Disposal Site clean up.
- **McGuffin vs OSP-** Civil right allegations for over incarceration
- **Disability Rights Oregon vs DHS-** Allegations against DHS regarding care of foster children
- **Oregon Firearms Federation inc., vs State of Oregon:** Challenge of ballet measure 114

\*Claims are considered significant if over \$1M and are subject to approval



# Summary- Conclusions



## ➤ **Declining health of the fund continues to be driven by**

- More frequent and more expensive claims
- A small number of very large losses
- Insufficient income

## ➤ **Regaining health will take time**

- 2025 Governor's Request Budget begins to address fund health
- Implement and improve agency mitigation efforts
- Consider actuarial recommended risk charge assessments

## ➤ **Remaining challenges**

- Potential additional claims before 2025-2027 assessments are received
- Continued future of unpredictable claims

# Risk Mitigation



# Mitigating Risk- What Can Agencies Do?



**Implement change and commit to staff accountability.**

**Establish Agency Risk Coordinators assigned to assist in risk mitigation.**

**Develop agency process to implement risk mitigation & tracking:**

- ✓ Analyze liability claims, internal incidents reports and develop root cause identification processes.
- ✓ Ensure statute, rule and agency policies and procedures are reviewed and updated.
- ✓ Develop, implement and monitor leading and lagging indicators measuring agency adherence to risk mitigation efforts.
- ✓ Require driver training for all employees that drive on state business.
- ✓ Ensure contract and grant risk transfer processes are being implemented.  
Procurement staff and managers ensure indemnity language & insurance requirements are included by using Risk Management's risk assessment toolkit.

# Risk Mitigation- Liability



## DAS Risk Consulting Services

Engagement of  
Leadership at Agency

Consultative services  
with top 5 agencies

Continue to provide  
resources & education

DOC

OSP

ODOT

ODHS

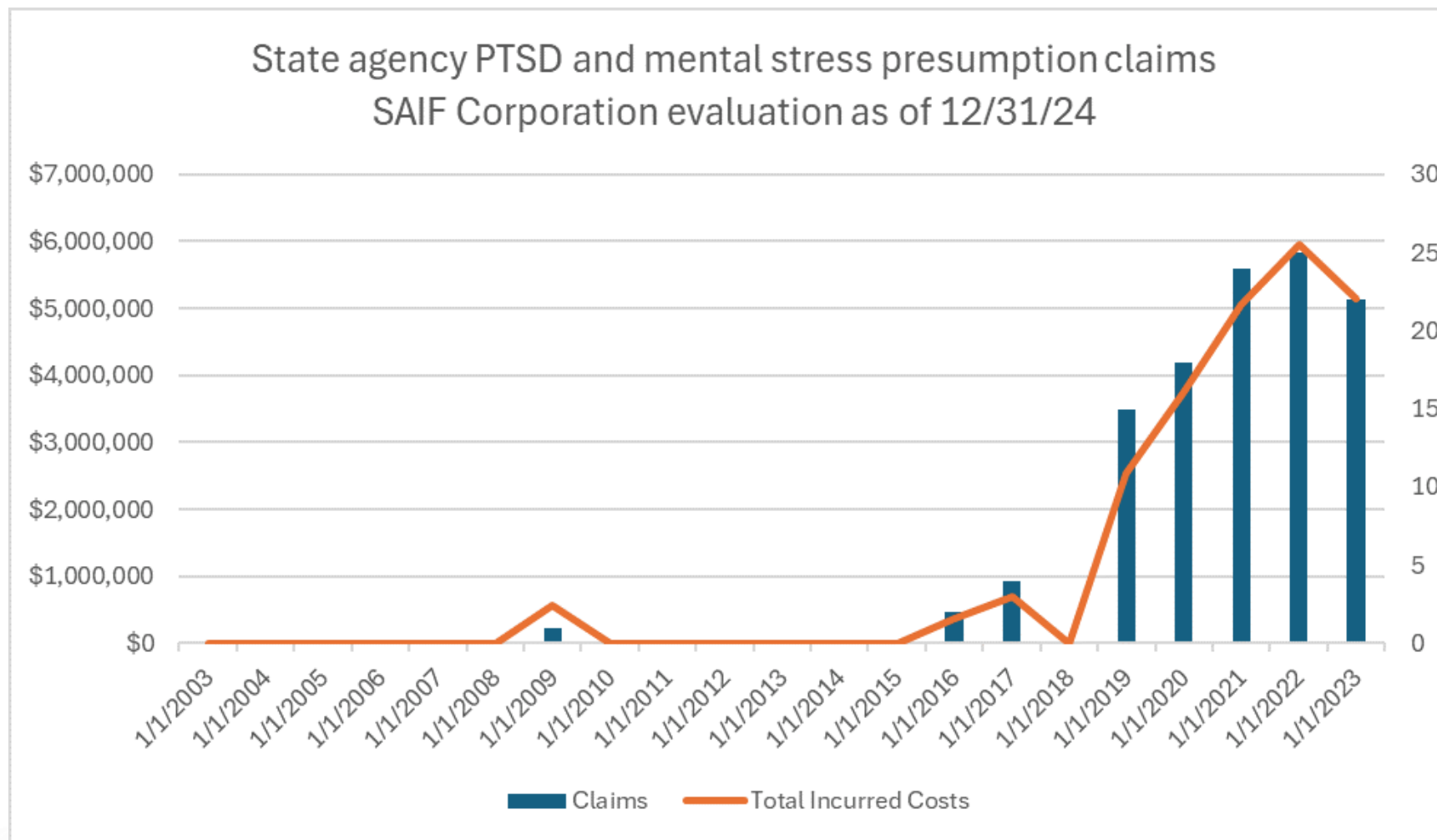
OHA

# Workers' Compensation



- Work with SAIF Corporation (ORS 656.017 (2))
- Focus on Agencies with largest exposure
- Agency Engagement:
  - Claims frequency goals set annually; reports sent out monthly.
  - Statewide Safety and Worker's Compensation Manager meetings (three times a year)
  - Lunch-n-Learn topics (six times a year)
- Costs of Claims have increased:
  - Medical fee schedule increases
  - PTSD, Stress Presumptive law (SB 507, 2019)

# SB507 Presumptive Law Impact



Source: SAIF Corporation

Level 3 - Restricted



# Commercial Insurance Property Program



Oregon's  
Commercial  
Insurance policies  
renew every  
October 15

Total Insurance  
Coverage  
Purchased: \$425M

2024 Total  
Insurable Value  
(TIV) (all state  
property):  
\$10,686,653,220

Agency property  
values are  
increasing

Insurance cost  
continue to  
increase

# Commercial Property Premium



Property Values & Commercial Premium



In 2024 DAS Risk Management chose to keep 25% of the middle layer of the property program.

# Thank You

Shelly Hoffman, DAS Risk Manager  
[shelly.hoffman@das.oregon.gov](mailto:shelly.hoffman@das.oregon.gov)  
503-569-8488

Bonnie Robbins, Risk Consulting Manager  
[bonnie.robbs@das.oregon.gov](mailto:bonnie.robbs@das.oregon.gov)  
971-718-4595

Karl Anderson, DAS Risk Finance Analyst  
[karl.anderson@das.oregon.gov](mailto:karl.anderson@das.oregon.gov)  
971-719-1590

Meliah Masiba, DAS Legislative Director  
[meliah.masiba@das.oregon.gov](mailto:meliah.masiba@das.oregon.gov)  
503-931-7267

