



RISK



**OTRP
OVERVIEW**

OTRP Overview for Trustees Presented September, 2019



Formation/Statute

Board Governance Overview

Board & The Bylaws

Annual Budget

Loss Fund

Vendors

Staff

Financials and Returns

Claims Payments and Reserves

Loss Control and Services



>> Governance

- Allen County Regional Transit Authority November, 1994
- Western Reserve Transit Authority November, 1994
- Portage Area Regional Transportation Authority November, 1994
- Metro Regional Transit Authority November, 1994
- Stark Area Regional Transit Authority November, 1994
- Greater Dayton Regional Transit Authority December, 1994
- South East Area Transit December, 1994

- Laketran February, 1996
- Richland County Transit Board March, 1999
- Butler County Regional Transit Authority April, 1999
- Toledo Area Regional Transit Authority April, 2002
- Delaware County Transit Board November, 2003
- Licking County Transit Board December, 2018
- Lancaster Public Transit ? Estimated Jan 2020



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- OTRP is formed under Ohio Statute 2744.081.
- This statute is only for Public Entity RISK pools – health has its own formation statute



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- Key Highlights from the statute:

- Reserve and Disbursement report must be prepared (Audit)
- Actuarial Report must be prepared

Both are due 90 days after fiscal year end

- A Contract may be awarded without competitive bidding to join or administer a pool
- Exempt from all state and local taxes



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Key Highlights from the statute continued...

Members/ political subdivisions may issue general obligation bonds, or special obligation bonds which are not payable from real or personal property taxes, and may also issue notes in anticipation of such bonds, pursuant to an ordinance or resolution of its legislative authority or other governing body for the purpose of providing funds to pay judgments, losses, damages, and the expenses of litigation or settlement of claims, whether by way of a reserve or otherwise, and to pay the political subdivision's portion of the cost of establishing and maintaining a joint self-insurance pool or to provide for the reserve....



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Key Highlights from the statute continued...

- Under Ohio Law, Risk Pools are not considered insurance (written into the statute)

This is why we do not offer UM/UIM or are subject to the rules of the insurance commissioner's office.

It also means we are not an “admitted carrier”



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- OTRP is Governed by By-Laws
 - We have amended them once in our 25-year history in 2007
 - The By-laws control membership, dispute resolution, withdraw and outline the duties of the Board.



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Trustee Duties from the By-Laws...

- Setting policies and procedures for **OTRP**, the **Members**, **CEO**, and employees
- Approving the annual budget of **OTRP**
- Determining all **Pool Contribution Factors**
- Hiring a **CEO**
- Providing for the compensation of the **CEO** and **OTRP's** employees
- Approving the **Membership** of new **Members**
- Removing **Members**
- Resolving disputes raised by a **Member**
- Determining the time and the amount of payments from **Members** to **OTRP**
- Acquiring and providing any **Coverage**
- Approving **OTRP's** participation or membership in other entities



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- The By-Laws also control the Board Structure
- Members may designate one voting trustee and individuals who can then vote in that person's absence.
- They will remain the voting member and alternates until removed by the RTA Board.
- Members can designate a "job position".



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- The By-Laws also control the Board Structure
- The Board elects four positions:
 - President, Vice President, Treasurer, Secretary
- Elections occur at the first regular meeting and once the vote occurs, they are immediately valid.
- Vacancy in office shall be filled by the Board.
- By-laws outline the job description for each position



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- **The By-Laws also Control the Board Structure**
 - The Board may “create” committees of which the President of the Board appoints the Chair and members of the committee – including non-members participants.
 - Their duties are expressly conferred by the Board, and they can be binding or non-binding as conferred by the Board.
 - If binding, then only Trustees may vote on the committee.



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- The By-Laws also Control the Board Structure

- Quorum is a majority.
- Approval of Budgets/Coverages/PCF and Membership requires 2/3 approval of the Trustees AT the meeting.
- Those items that require 2/3 should be performed by role call.
- Must be present to vote.



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• The Board Policies Also Control Operations

Cash and Investment

Claim Auditing

Code of Conduct

Emergency CEO Succession

Fixed Asset

Litigation Management

Pre-Defense Program

Public Records

Return of Surplus

Shock Loss

Board Travel

CEO Contracting Authority

Claim Reporting

Credit Card

Employee Compensation

Late Payment Penalty

Personnel

Professional Development

Record Retention

Risk Management

Subro. & In-House Reimb.

Business Continuity



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- The Board Creates the Strategic Objectives
 - This is the guiding work plan for the CEO to implement the budget and work activities.



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>> Budget

- Each year the CEO recommends to the Board a budget that is broken into five main areas.
 - 1.) Purchased Insurance
 - 2.) Professional Services
 - 3.) Employed Services
 - 4.) Pool Operations
 - 5.) Self-Insurance or Loss Fund



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Budget highlights continued...

Once the budget is approved, the CEO then executes based upon the budget and the Strategic Objectives.

A budget-to-actual is issued at each regular board meeting.

The goal has been not to exceed any of the 5 main budgetary area in total.

After the completion of the Loss Year the final budget is issued any time one of the 5 main areas is over the budgetary amount, the CEO discloses it to the Board for discussion and approval.



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Loss Fund

- Recommendation is made by the Actuary each year in the “RATE” study. One of two reports we receive from them. Different scenarios are laid out and surplus is taken into consideration.
- We select a rate and apply it to our miles.
- Credits given to members loss fund contribution who choose higher liability deductibles.



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Pool Contribution Formula “PCF”

- Our underwriting methodology with stability as a goal.
- Used to determine a member’s yearly percent of the budget .
- Taken as a snapshot at the end of June (on-line database).
- Average Annual Losses calculated capping a loss at 10k, 35k, and 100k over previous 5 loss years – removing APD and all losses under deductible.



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Pool Contribution Formula “PCF”

- Comprised of 7 factors –
 - Service Area Population
 - Projected TOTAL Miles
 - Full-time Equivalent Employees
 - Net Operation Expenses
 - Vehicle Count
 - Property Values
 - Average Annual Losses with caps (double weight)



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>> Vendors

Outside Vendors provide important guidance and access to specific expertise. They play a key role in our operational success.

Key OTRP Vendors:

Accounting - Varney Fink (Elaine Kilker – Leah Weirick – Scott Varney)

Actuary - Pinnacle (Tim Mosler)

Auditor - Unknown RFP issued

Broker - Arthur J Gallagher (John Chino)

Corporate Counsel - Isaac Wiles (Mark Landes Esq.)

Financial Counselor - FAC (Ryan Allen)

TRL Reinsurance Intermediary - Guy Carpenter (Embry Nichols)



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Outside Vendors provide important guidance and access to specific expertise. They play a key role in our operational success.

- RFP's are issued periodically for all services every 3-5 years depending on the vendor.
- Exception is Corporate Counsel which would only have an RFP at the request of the Board.
- Contracts for services are approved by the Board.



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>> Staff

The Board selects a CEO who acts as an employee of the Board under an Employment Contract.



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The Board's role in this process is fairly simple, the contractual arrangement between the CEO and Board states:

“Rhoades shall hire the staff of OTRP, subject to budgetary authorization, and manage and direct that staff's day-to-day activities without interference from the Board. Rhoades shall be responsible for the performance of the staff of OTRP and shall ensure that all employees of OTRP are properly trained to carry out their duties in furtherance of OTRP's purpose and objectives.”



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The Board still plays a role in the process

- Setting the Employed Services Budget.
- Creating Strategic Objectives and Mission Statements.
- Approving Employee Compensation Policy and Personnel Policy.
- Overseeing the CEO in terms of performance in relation to the management of these items.



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>> Financials

Closure of Loss Years

- Only after 4 years and no claims remain.
- Equity worksheets are developed after a loss year is finished.
- The Return of Surplus policy controls their creation.
- Equity Worksheets are not the PCF % - and may be different due to certain adjustments (like choosing a higher liability deductible).



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Closure of Loss Years/Returns

- Returns and Shortfalls utilize the Equity Worksheets.
- The Board must vote to close a loss year.
- All funds returned are always returned to the GRF.
- GRF funds can be used against an invoice at any time or withdrawn as cash once a year.



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OTRP “Accounts”

- Cash accounts – Chase Bank and Key Bank
 - Checking, Savings, Payroll, Checking and CD’s
- Investment Accounts: - Key Bank/FAC
 - Custodial & Shock Loss
 - FAC can only make orders to trade to Key Bank who holds it in a “custodial relationship”



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Shock Loss Fund

- Our “Funds on Account” to protect the pool in the event of a catastrophic claim or low funding scenario in a loss year.
- Members are required to keep one-time their annual contribution on account and can keep up to 4 times.
- Members earn their interest based on 7/31 balance each and every year.
- Can only be used for a Board Approved Special Assessment.
- Shock Loss Policy Controls the operation.
- Auditors require us to hold 1/5 as a liability each year for excess contributions.



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>> Claims

Claims Overview - Reporting

- I-Reporter is available for on-line reporting and transmitting information.
- Claims should be reported according to OTRP's Claim Reporting Policy, they include:
 - Any 3rd party liability
 - Member damages potentially exceeding \$1,000
 - Any event which may result in a claim or lawsuit
 - Should be reported within 3 business days



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Claims Overview - Handling

- All claims are adjusted by in-house staff except for heavy equipment adjusting which is normally performed by “NOVA” – Harold Lewis.
- Members repairs do not exceed the yearly accepted “Shop Rate” approved by the Board in June.
- Defense counsel is developed through the “approved provider list” which is voted by the Board in June.
- Claims handled in accordance with OTRP Claims and Litigation Management Policy.
- Members have “a say” in whether claims are paid or denied.



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Claims Overview - Deductibles

- Claims paid from \$1 without reduction for member's deductibles.
- Member's deductibles calculated and billed 2x/year for claims paid.
- GRF funds can be used for the deductible invoice.



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Claims Overview - Reserves

- Claims are reserved by staff to their most likely outcome.
- Yearly, the Actuary reviews OTRP's loss history and determines additional reserves for IBNR and ULAE. This is one of two studies they perform for us or the Reserve study.
- Board reviews in March each year and once a year the numbers are posted for audit process.



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Claims Overview - Audit

OTRP Fiscal Auditors perform yearly testing on claim payments.

OTRP retains an outside audit firm not less than every three year under Claims Auditing Policy.

Reinsurance audits occur a minimum of every other year.



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>> Member Services

>> Loss Control

Member Services - Coverages

For “Reinsurance” programs OTRP develops a coverage document which is reviewed periodically and voted by the Board.

For “Excess” programs the carrier provides the coverage provisions to OTRP.

All documents are provided to the member each year with a required acknowledgement.



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Member Services – Contract Review

Because OTRP is a political subdivision we cannot offer “additional insured” status to another party in a liability contract.

In the event a contract is to be entered into we ask that it is reviewed by the OTRP office for such an assumption of liability. If an assumption is required, then the Board can issue an endorsement to the OTRP coverage document as required.

Property is different and we can issue “Lease Holder” status if required.



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Member Services - Underwriting

Members are required to fill out the “on-line” renewal form and keep their property values and vehicle schedules up-to-date.

Members may be required to fill out other application forms as necessary.

Members must attest – or “sign off” on this data yearly.

Members must sign an acknowledgement they received their coverage documents.



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Loss Control

Members are required adhere to the Risk Management Policy. This includes but is not limited to Driver Insurability Requirements.

Members must work with Director of Risk Management to complete a RMSI each year to assist in the overall Loss Control for each member and Policy adherence.

The Board works with staff to determine both the RMSI and other required training programs as are relevant for our pool.



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