

## UNDERSTANDING RISK & INSURANCE ISF RATES

The **Liability Insurance ISF Rate** (general and auto) is developed using a combination of factors in order to arrive at fair and accurately-weighted Departmental allocations of the annual cost of Liability Insurance activities and excess insurance products. The factors are experience and exposure, which are each calculated, weighted, then combined to arrive at an allocation factor:

*80% Experience is the 7-year history of incurred losses, which is the actual cost of insurance claims attributed to a specific DeptID. Each DeptID is assigned an experience percentage by adding up all actual claims costs for the past 7 years, and dividing by the total claims costs over that same period.*

*20% Exposure is each DeptID's share of countywide full-time equivalent positions and building square footage (General Liability) and its share of total mileage (Auto liability). Each DeptID is assigned a General Liability exposure percentage by 1) dividing its FTE by the total FTE, 2) dividing its square footage by the total square footage, then 3) taking the average of those two percentages. For Auto Liability, the exposure is simply the share of countywide mileage.*

To arrive at the final allocation factor, the Experience value is weighted at 80% and Exposure at 20%. The resulting factor is applied to the total Insurance cost pool (which includes the cost of personnel, supplies/services, insurance premiums, and insurance reserve requirements) to calculate the dollar amount of each DeptID's allocation.

The **Property Insurance ISF Rate** is developed by distributing the annual cost for Excess Property Insurance coverage products on the basis of percentage of total reported building square footage.

Departments report the square footage of all buildings either owned or operated by them as part of their annual Insurance Update Packet. They then receive a share of the annual cost for Excess Property Insurance in the same percentage as their share of reported owned/operated square footage.

The **Workers Compensation ISF Rate** is developed using a combination of factors in order to arrive at fair and accurately-weighted Departmental allocations. The factors are experience and exposure, which are each calculated, weighted, then combined to arrive at an allocation factor:

*80% Experience is the 7-year history of incurred losses, which is the actual cost of insurance claims attributed to a specific DeptID. Each DeptID is assigned an experience percentage by adding up all actual claims costs for the past 7 years, and dividing by the total claims costs over that same period.*

*20% Exposure is the 7-year history each DeptID's share of countywide payroll expenditures.*

To arrive at the final allocation factor, the Experience value is weighted at 80% and Exposure at 20%. The resulting factor is applied to the total Insurance cost pool (which includes the cost of personnel, supplies/services, insurance premiums, and insurance reserve requirements) to calculate the dollar amount of each DeptID's allocation.