

December 11, 2014

Contribution Task Force



The Financial Fundamentals of IRMA

- Member Revenue Base
- Experience Modifier (with application of Credibility Factor)
- Excess Surplus
- Interest Income
- Optional Deductibles



Pooling Fundamentals

- Broad Coverage
- Rate Stability
- Financially Secure
- Effective Loss Control Programs
- Self Governance



History of Recent Contribution Studies by IRMA

2007 Ad-Hoc Committee on Contribution Formulas

- *Average of 5 years of revenue base instead of current year revenue base
- *Revise Experience Modifier formula to include five years of data (increase from three years)
- *Decrease the credibility factor in the experience modifier from 100% to 80%

2010 Ad Hoc Committee on Member Retention

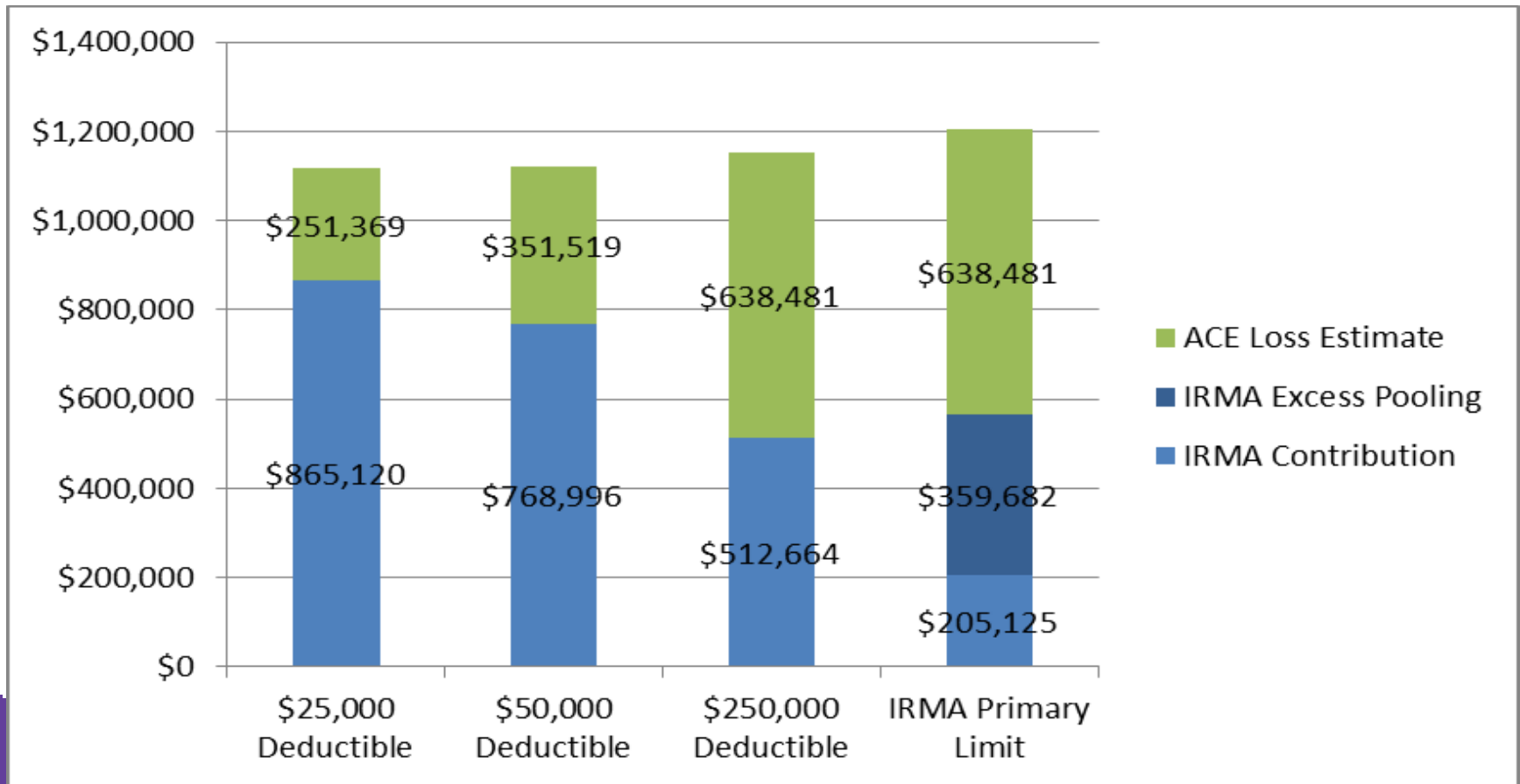
- *Implementation of sliding scale for losses included in experience modifier formula, to be reviewed by actuary every five years
- *Implementation of aggregate cap for optional deductibles with minimum number of members opting in

2012 Planning Workshop

- *Implementation of \$250,000 permanent deductible



2014 Large Member Projected Cost



IRMA

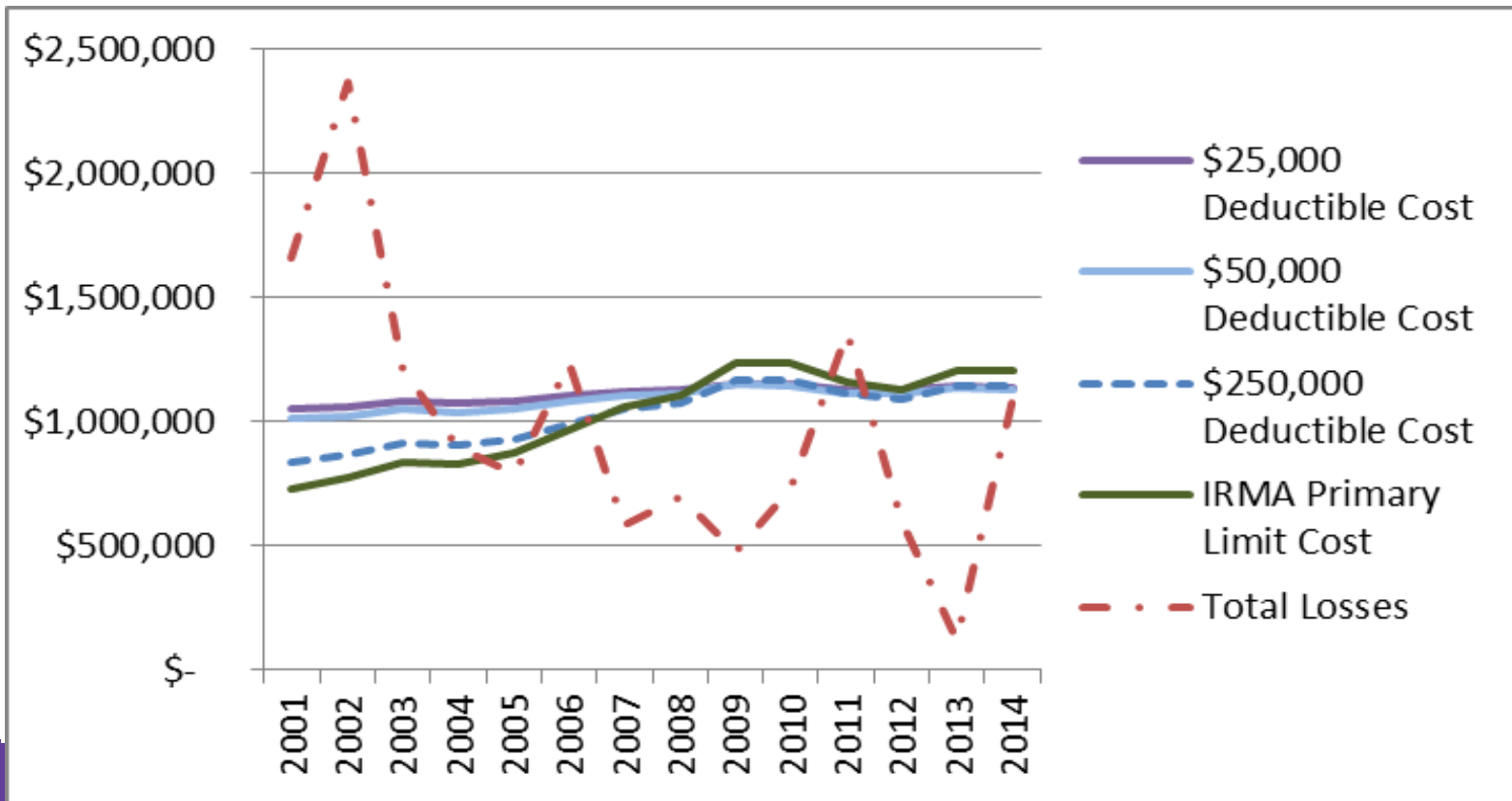


2014 Large Member Projected Costs

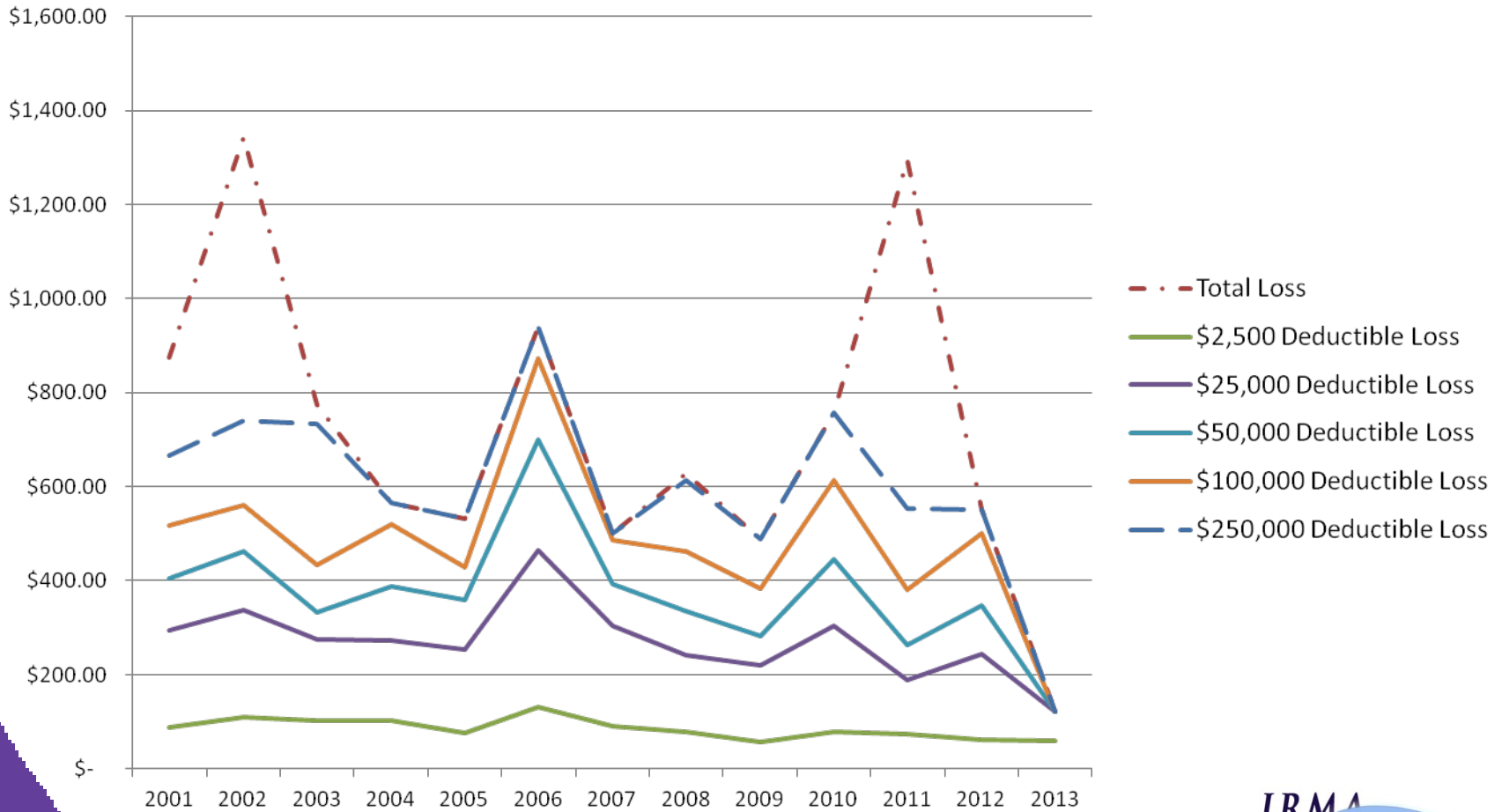
2014 Projected IRMA Costs	\$25,000 Deductible	\$50,000 Deductible	\$250,000 Permanent Deductible	IRMA Primary Limit
IRMA Contribution	\$865,120	\$768,996	\$512,664	\$205,125
IRMA Excess Pooling				\$359,682
ACE Loss Estimate	\$251,369	\$351,519	\$638,481	\$638,481
Total	\$1,116,489	\$1,120,515	\$1,151,145	\$1,203,288



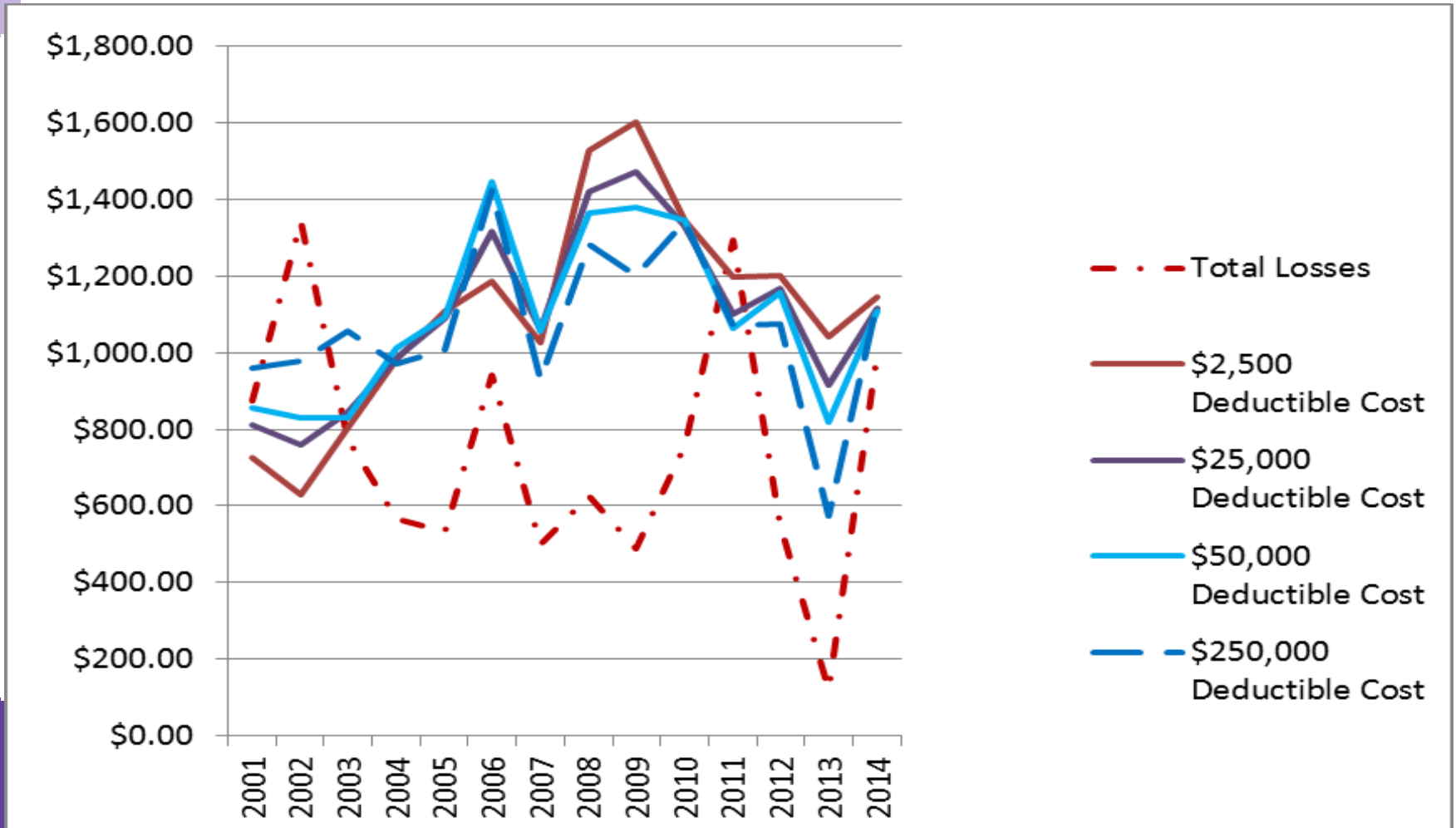
Actuarial Central Estimate (ACE) of Past Claims and Expected Historical Cost (adjusted for inflation and exposure base)



Large Member Losses By Deductible (actual losses)



Large Member Actual Cost Experience Excluding Interest Income Credits, \$000s



The Evidence of Equity

The Actuarial Perspective

- Basics of Actuarial Science
- ACE
- Credibility
- Previous Studies



The Evidence of Equity

The Client Perspective

- Cost Analysis over time considering different deductibles
- Utilization of different deductible levels
- Experience of individually rated projections



The Evidence of Equity

The Business Perspective

- Is the Pooling Philosophy consistent with individually rated options?
- How would a member transition to/from an individually rated contribution to/from a pooled contribution?
- Should the pool consider a sub pool for excess coverage?



Task Force Objectives

- Determine existence of equity/inequity
- If inequity is identified, determine a level of inequity that requires action
- Identify appropriate actions to address inequity
- Determine if individually rated options should be offered, and if so, with what conditions
- Determine if existing Permanent Deductible should be revised or eliminated
- Analyse effectiveness of optional deductible offerings

IRMA



Task Force Deliverables

- Analysis of Historical Contributions and Losses
- Contribution Formula Review
- Experience Modifier Calculation Review
- Findings and Recommendations related to each objective
- Equity Policy

