

To: Board of Education

From: Kathy Johnson, executive director finance
David Cunningham, executive director of human resources and legal services

Re: Renewal of Workers' Compensation Excess Insurance

Date: June 25, 2018

Background:

In 1993 Lawrence USD497 began self-insuring for worker compensation. As a self-insured entity, it is important to retain an insurance policy for liabilities in excess of a specific loss ratio/limit in case of significant group claims or individual claims.

Rationale:

Thomas McGee Group, our third party administrator, does bids for our excess insurance carrier. Currently the policy is written with Midwest Employers.

The recommended option for renewal is Option 2, from the chart below:

TERMS	2016-18 Midwest (Current)	2018-19 Midwest (Option 1)	2018-20 Midwest (Option 2)	2018-19 Midwest (Option 3)
Est. Payroll	\$70,598,857	\$74,428,035	\$148,856,070	\$74,428,035
SIR[1]	\$400,000	\$400,000	\$400,000	\$450,000
Policy Term Years	2 Years	1 Year	2 Years	1 Year
Specific Limit	Statutory	Statutory	Statutory	Statutory
EL Limit[2]	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Loss Fund %	235%	228%	206%	240%
Est. Loss Fund	\$1,924,815	\$1,054,948	\$1,898,916	\$1,110,511
Agg. Limit	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Est. Premium[3]	\$59,954	\$64,107	\$64,107	\$61,982
Est. Term Prem[3]	\$119,908	\$64,930	\$128,214	\$61,982
Est. Rate / \$100	8.5%	8.6%	8.6%	8.3%
% Change		1.4%	1.4%	-1.9%
Best Rating	A+ Superior			
Financial Size	\$2 Billion or More			

[1] Self-Insured Retention (per occurrence)

[2] Employers Liability

[3] Premiums and Loss Fund are only estimates subject to final payroll audit

Recommendation:

Administration recommends the renewal of the district's workers' compensation excess insurance with Midwest Employers (Option 2), a two-year term, at a premium deposit of \$64,107 for each year. The premium for excess insurance is based on payrolls and is audited each year and adjusted, if necessary. Policy Term is 2018-2019 and 2019-2020.

Motion:

"I move the Board of Education approve to secure the district's workers' compensation excess insurance with Midwest Employers for a two-year term, at a premium deposit of \$64,107 a year for a two (2) years, adjusted per audit if applicable. Policy Term is 2018-2019 and 2019-2020."