

To: Board of Education

From: Kyle Hayden, assistant superintendent, business & operations, ext. 4309
Kathy Johnson, director, finance, ext. 2376

Re: Renewal of Workers' Compensation Excess Insurance

Date: June 23, 2016

Background:

The self-insured fund for workers' compensation was established in June 1993 in order for USD 497 to handle its workers' compensation obligation on a self-funded basis rather than purchasing workers' compensation insurance.

Rationale:

Each year, Thomas McGee, our third party administrator, does bids for our excess insurance carrier. Currently this policy is written with Midlands Management Corporation.

Midlands Management Corporation, our current carrier, will not renew the current self-insurance retention of \$350,000. They bid a \$400,000 retention (Option 1) and \$500,000 retention (Option 2).

Although Midwest Employers Casualty Company (MWECC) offers the \$350,000 retention (Option 3) at a premium cost increase of 8.9%, based on the district's claim history and strong reserves, it appears that moving to a self-insurance retention of \$400,000 is safe, with minimal change in deposit premium.

2016 Excess Workers' Compensation Renewal Options					
TERMS	2015 Midlands (Current)	2016 Midlands (Option 1)	2016 Midlands (Option 2)	2016 Midwest (Option 3)	2016 Midwest (Option 4)
Est. Payroll	\$69,725,000	\$70,598,857	\$70,598,857	\$70,598,857	\$70,598,857
SIR[1]	\$350,000	\$400,000	\$500,000	\$350,000	\$400,000
Policy Term Years	1 Year	1 Year	1 Year	1 Year	2 Years
Specific Limit	Statutory	Statutory	Statutory	Statutory	Statutory
EL Limit[2]	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Loss Fund %	372%	394%	394%	225%	235%
Est. Loss Fund	\$1,793,245	\$1,782,696	\$1,782,696	\$1,088,065	\$1,924,815
Agg. Limit	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Est. Premium[3]	\$59,605	\$59,789	\$47,152	\$64,930	\$59,954
Est. Term Prem[3]	\$59,605	\$59,789	\$47,152	\$64,930	\$119,908
Est. Rate / \$100	8.5%	8.5%	6.7%	9.2%	8.5%
% Change		-1%	-22%	8%	-1%
Best Rating	A Excellent			A+ Superior	
Financial Size	\$500 to \$750 Million			\$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					

Both companies, at the \$400,000 retention, are similar in premium. Thomas McGee recommends moving back to MWECC. MWECC has a better BEST rating and company financial size along with offering an array of supplemental services and products the district will have access to for preventive injury training and work comp management. Midlands Management Corporation does not provide some of the supplemental services at the same cost. The district has been with MWECC before and they provided excellent service to the district.

Recommendation:

Administration recommends the renewal of our workers' compensation excess insurance with Midwest Employer Casualty Company (Option 4) at a premium deposit of \$59,954 a year for a two (2) year policy term. The premium for excess insurance is based on payrolls and is audited each year and adjusted, if necessary, according to the audit.

This expenditure is paid from the Workers Compensation Reserve Fund.

Account: 3010000000Workers Compensation Fund Instruction 55290 Other Insurance

Motion:

"I move the Board of Education approve the workers' compensation excess insurance policy with Midwest Employer Casualty Company at a \$400,000 Self-Insurance Retention, two (2) year policy term, and deposit premium of \$59,954 for 2016-17 and 2017-18."