City of Troy

CITY COUNCIL AGENDA ITEM

Date: May 8, 2012

To: John Szerlag, City Manager

From: Tom Darling, Director of Financial Services
Stephen Cooperrider, Risk Manager

Subject: Bid Waiver – Workers' Compensation Insurance Renewal for Fiscal Year 2012/13

Background

The City is in receipt of a renewal package from the Michigan Municipal League Workers' Compensation Fund (MML WCF) which includes a dividend credit attributable to Fund members overall. In 2003, City Management engaged an independent insurance counselor, Mr. Angelo Zervos to evaluate the current state of the City's workers' compensation program. His evaluation indicated the MML WCF program would cost the City less than if we were self-insured or went to the commercial marketplace. The Risk Manager contacted Mr. Zervos in 2009. At that time, Mr. Zervos indicated that his evaluation was as relevant today as it was then. The philosophy and program of the MML WCF has not changed, and the MML WCF continues to produce an equitable value for its members.

The MML WCF provides Workers' Compensation coverage to 866 public entities throughout Michigan. The broker for the MML WCF takes competitive bids from re-insurers. As of May, 2012 the re-insurer and A.M. Best rating is: Discover Property and Casualty Insurance Company (A+).

As an employer, the State of Michigan requires the City of Troy to provide workers' disability compensation under Public Act 317 of 1969. The MML WCF provides legal expertise and defense, loss control services, and claims handling services which are included in their premium.

While last year we had an experience modification factor of 1.01, this year we had an increase of .01 in our experience modifier. In addition, we are receiving a dividend credit of $199,196. Together they continue to provide the City with a continued sound financial position without the increased risk of being self insured.

The renewal premium to the City for FY 2012/13 is $269,407. The City's comparison costs for FY 2011/12 is $336,349, FY 10/11 is $205,789, with FY 09/10 of $344,845, and FY 08/09 of $290,013, and FY 07/08 of $260,354, and FY 06/07 of $246,041, and $444,846 for FY 05/06.

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Recommendation

City Management's fiscal responsibility to City Council and our residents is best served by continuing the relationship with the MML WCF. It is Risk Management's recommendation that City Council approve the renewal of the City's workers' compensation coverage with the Michigan Municipal League Workers' Compensation Fund for the net cost in fiscal year 2012-2013 of $269,407.

Fund Availability

Funds are available in the Workers' Compensation Fund.

SC/

michigan municipal league
Workers' Compensation Fund

May 08, 2012

Lisa Burnham
City of Troy
500 W. Big Beaver
Troy, MI 48084

Dear Ms. Burnham:

Enclosed are the following documents for your Workers' Compensation coverage renewal for the period July 1, 2012 to June 30, 2013.

- Policy Declaration
- Certificate of Membership
- Invoice (payable by June 15th)

This year, the Fund has been authorized to distribute $ 7 million of surplus for the Fund years ending June 30, 1993, 1996, 1999, 2000, 2002 through 2004, and 2011. Your proportionate share of the distribution is shown below:

Dividend Credit $199,196.00 Applied to this year's renewal premium

Please review the enclosed documents and contact me at 248-204-8530 if you have any questions.

Sincerely,

Laura Martin

Laura Martin, AIS, AU, AINS
Fund Underwriter

Enclosures
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