



## CITY COUNCIL ACTION REPORT

April 11, 2007

TO: Phillip L. Nelson, City Manager

FROM: John M. Lamerato, Assistant City Manager/Finance & Administration  
James A. Nash, Financial Services Director  
Stephen Cooperrider, Risk Manager

SUBJECT: Agenda Item - Bid Waiver – Workers' Compensation Insurance  
Renewal for Fiscal Year 2007/2008

### **Background:**

- The City is in receipt of a renewal package from the Michigan Municipal League Workers' Compensation Fund (MML WCF) which includes an improved experience discount from our own claims history as well as a dividend distribution attributable to Fund members overall.
- In March of 2003, City Management engaged 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 MML WCF belongs to a larger non-profit captive mutual insurance company, the National League of Cities Mutual.
- The NLC Mutual Company annually takes competitive bids from re-insurers. As of January 1, 2007 the re-insurer and Best rating is: Safety National Casualty Corporation (A).

### **Financial Considerations:**

- The initial renewal premium to the City for FY 07/08 is \$358,026.
- After applying the dividend distribution check of \$97,672 the net cost to the City for FY 07/08 is \$260,354.
- The City's overall cost for FY 07/08 of \$260,354 compares with FY 06/07 of \$246,041 and \$444,846 for FY 05/06 and \$588,653 for FY 04/05.
- Funds are available in the Workers' Compensation Fund.

### **Legal Considerations:**

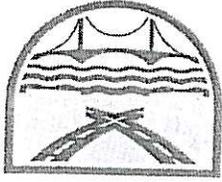
- As an employer, the State of Michigan requires the City of Troy to provide workers' disability compensation under Public Act 317 of 1969.
- The MML WCF provides legal expertise and defense as part of their services, which are included in their premium.

**Policy Considerations:**

- The dividend distribution and decrease in the City's experience modifier (from .69 to .60) provide the City with continued sound financial position without the increased risk of being self-insured. (Goal #2)
- City Management's fiscal responsibility to City Council and our residents is best served by continuing the relationship with the MML WCF. (Goal #2)

**Options:**

- 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 (MML WCF) for the net cost in fiscal year 2007-08 of \$260,354.



# MICHIGAN MUNICIPAL LEAGUE WORKERS' COMPENSATION FUND

April 16, 2007

James Nash  
Troy, City Of  
500 West Big Beaver  
Troy, MI 48084 -5285

Dear Mr. Nash:

We are pleased to enclose your workers' compensation renewal package for the coverage period July 1, 2007 through June 30, 2008. Included are the Policy Declaration, Certificate of Membership and invoice.

The Fund received authorization to distribute \$7 million of surplus from Fund years 7/1/1995-96, 96-97, 97-98, and 98-99. Members who were insured by the Fund in any or all of the years for which a dividend was declared will receive their proportionate share of dividends. Of the \$7 million, your portion of the dividend from 95-96, 96-97 and 97-98 fund years will be distributed by check and your portion of the dividend from 98-99 fund year has been applied as a premium credit on your renewal declaration, if applicable. The following summarizes your renewal:

Premium Prior to Dividend Credit:	\$405,006.00
Dividend Credit:	<u>\$-46,980.00</u>
Net Estimated Premium:	\$358,026.00
Dividend Distribution Check:	<u>\$-97,672.00</u>
Annual Estimated Cost:	<u><u>\$260,354.00</u></u>

The enclosed policy declaration indicates when payments are due. Enclosed in this mailing you will find your invoice requesting payment for this upcoming renewal. A return envelope has been provided for your convenience.

The enclosed Certificate of Membership may be provided to third parties as evidence that the required workers' compensation coverage is in place. If you need additional certificate copies throughout the year, visit our website and log on to [www.mml.org](http://www.mml.org), click on 'Insurance' then 'Workers' Compensation Fund'. After the Fund site loads, enter your user name and password on the right side of the screen. Now click 'Online Forms' from the top bar and finally 'Certificate of Insurance' from the left side bar.

If you have questions pertaining to any of the enclosed, please contact me at (248) 204-8530. Your cooperation and support are greatly appreciated.

Sincerely,

*Kelli M. Collins*

Kelli M. Collins  
Underwriter  
Michigan Municipal League

Enclosure  
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