



## CITY COUNCIL AGENDA ITEM

---

Date: June 4, 2015

To: Brian Kischnick, City Manager

From: Thomas Darling, Director of Financial Services  
MaryBeth Murz, Purchasing Manager  
Lisa Burnham, Accounting Manager  
Jeanette Menig, Human Resources Director  
Lynne Lambert, Human Resources Coordinator

Subject: Award Standard Purchasing Resolution 3 - Exercise Renewal Option – Workers’ Compensation Insurance Renewal for Fiscal Year 2015/2016

---

### History

- The Michigan Municipal League Workers’ Compensation Fund currently provides Workers’ Compensation coverage to the City. The Michigan Municipal League (MML) has provided this coverage since 1978.
- The City of Troy is the largest member.
- MML provides coverage to more than 900 *public* entities throughout Michigan. This non-profit group was started in 1977.
- The program began out of a need to create an insurance company that specializes in governmental risk management.
- MML has an outstanding Pay Lag rating of 10 days as compared to the industry average which is 17 days.
- The Workers’ Compensation Fund and Stop/Loss Analysis is audited annually by the State of Michigan.
- The Workers’ Compensation Audit details can be found on the State of Michigan website; [www.michigan.gov/wca](http://www.michigan.gov/wca).
- In 2003 city management in conjunction with insurance consultant Angelo J. Zervos conducted a study regarding Workers’ Compensation Insurance and recommended subsequent annual renewal(s) with the MML Workers’ Compensation fund based on the following reasons:
  - Comparison of historical costs demonstrate that the MML Workers’ Compensation Fund was lower in cost than self-insurance.
  - The MML Workers’ Compensation Fund has special expertise in governmental insurance.
  - Existing claim handling and loss control Meadowbrook Insurance is of high quality.
- The State of Michigan requires the City of Troy to provide workers’ disability compensation under Public Act 317 of 1969.



## CITY COUNCIL AGENDA ITEM

---

- **History (continued)**
- The MML in conjunction with Meadowbrook Insurance as the Third Party Administrator *continues* to consistently provide:
  - Legal expertise
  - Defense loss control services
  - Claims handling services which is very specific to municipalities and specific to the City of Troy
  - Timely customer service to City management and injured employees
  - Knowledge specific to the City of Troy claims including long-term claims
  - When in the City's best interest they actively monitor and initiate settlement on the City's behalf.

### **Purchasing**

The bid process is waived for the following reasons:

- The City has over 30 years of claims history with the MML Workers' Compensation Fund; resulting in a very low Experience Modifier of .85. The low Experience Modifier is a very positive indicator and rating which nets the City a discount.
- This year's Declaration Page, which is attached details the Experience Modifier at .85 which is a \$92,479.00 credit.
- Additionally, because of our participation and size in the MML Workers' Compensation Fund, the City receives an additional *premium* credit which is \$37,429.00.
- The City of Troy continues to benefit from their expertise in the unique provisions of Workers' Compensation that apply to Police Officers and Firefighters.
- If the City were to enroll with a different carrier the experience modifier would be reset at 1.00, which would be an additional cost to the City. It would likely take several years to earn a favorable Experience Modifier.
- Current dividends would be frozen for a minimum of 2 - 3 years.
- A different carrier would necessitate City management to work with multiple Third Party Administrators. New claims would be administered by the new insurance company and existing claims would still be handled by MML.

### **Financial**

- The City is in receipt of a renewal package from the Michigan Municipal League Workers' Compensation Fund which includes a dividend credit attributable to Fund members overall.
- Last year the City of Troy's Experience Modifier was .86; this year it is a .85 Experience Modification factor.
- In addition the City will receive a dividend credit of \$156,292.00.



# CITY COUNCIL AGENDA ITEM

## Financial (continued)

- The renewal premium for FY 2015-2016 is \$330,477.00 (net of dividend credit). Premium history is as follows:

	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016
Total Standard Premium	\$535,492	\$494,519	\$530,876	\$576,039	\$616,527
Experience Modifier	1.01	1.02	0.97	0.86	0.85
Experience Modifier Credit	\$5,355	\$9,890	-\$15,926	-\$80,645	-\$92,479
Size of Premium Credit	-\$38,689	-\$35,956	-\$36,746	-\$35,280	-\$37,429
Expense Constant	\$150	\$150	\$150	\$150	\$150
Total Estimated Premium	\$502,308	\$468,603	\$478,354	\$692,114	\$486,769
Dividend Credit	-\$165,959	-\$199,196	-\$222,443	-\$158,002	-\$156,292
Net Estimated Annual Premium	\$336,349	\$269,407	\$255,911	\$302,262	\$330,477

- The annual rate changes every year but rates are stable from year to year.
- Premium cost fluctuates predicated upon the City payroll and employees by classification and employees by classification in the higher risk classes such as Street Operations, Fire, Police and Building Operations.
- The relevant indicator is the Experience Modifier which reflects the City's performance with loss/control, return to work program and overall safety training and performance. Note, the City's improvement over the past 5 years as indicated by the Experience Modifier and the Experience Modifier credit.
- Funds are available in the Workers' Compensation Fund. For FY 2015/2016, the City budgeted \$494,000.00 for the premium cost.

## Recommendation

City management recommends it is in the City's best interest to waive the bid process and to continue the relationship with the Michigan Municipal League Workers' Compensation Fund. It is recommended that City Council approve the renewal of the City's Workers' Compensation Fund for the net cost of \$330,477.00 as detailed in the attached Michigan Municipal League Workers' Compensation Fund Declaration Page for Fiscal Year 2015/2016.

**Michigan Municipal League Workers' Compensation Fund**

03/30/2015

Declaration Page

5000410-15

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

Coverage Period 7/1/2015 to 6/30/2016

RENEWAL

Class Code	Class Description	Estimated Annual Payroll	Rate per \$100 of Payroll	Estimated Annual Premium
5509-00	Street Operations	1,319,191	7.13	94,058
7520-00	Water Operations	1,533,944	3.61	55,375
7704-01	Firefighters	894,733	4.08	36,505
7704-02	Volunteer/On-Call Firefighters	68,000	7.58	5,154
7720-01	Police Officers	10,207,730	2.72	277,650
8395-00	Garage Operations	785,927	3.35	26,329
8810-01	Clerical-Office	6,014,534	0.43	25,862
8810-02	Elected Officials	36,400	0.23	84
8810-03	Libraries & Museums: Prof/Clerical	1,657,172	0.28	4,640
8820-00	Attorneys/Judges	392,629	0.31	1,217
9015-00	Building Operations	471,522	3.88	18,295
9102-00	Parks & Recreation	1,519,216	2.91	44,209
9103-00	Crossing Guards	24,255	3.63	880
9104-00	Lifeguards	349,083	1.87	6,528
9410-00	Municipal Employee	1,974,079	1.00	19,741
	<b>Totals:</b>	<b>\$27,248,415</b>		<b>\$616,527</b>

Coverage Amount

Employers Liability: \$500,000  
 Workers' Compensation: STATUTORY

**Premium To Be Billed on Installments: \$330,477**

Total Standard Premium	\$616,527
Increased Employers Liability Limit	\$0
Experience Modifier: .85	(\$92,479)
Modified Premium	= \$524,048
Size of Premium Credit	(\$37,429)
Expense Constant	\$150
Total Estimated Premium	= \$486,769
(Dividend Credit)	(\$156,292)
<b>NET ESTIMATED ANNUAL PREMIUM</b>	<b>= \$330,477</b>