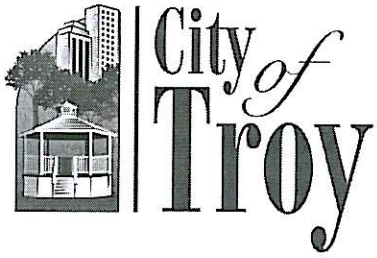

CITY COUNCIL ACTION REPORT

April 4, 2008

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 2008/2009

Background:

- The City is in receipt of a renewal package from the Michigan Municipal League Workers' Compensation Fund (MML WCF) which includes an experience discount from our own claims history as well as a dividend check 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, 2008 the re-insurer and Best rating is: Discover RE (A+).

Financial Considerations:

- The initial renewal premium to the City for FY 07/08 is $387,664.
- After applying the dividend check distribution of $97,651 the net cost to the City for FY 08/09 is $290,013.
- The City's overall cost for FY 08/09 of $290,013 compares with FY 07/08 of $260,354, and 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 slight increase in the City's experience modifier (from .60 to .65) 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 2008-09 of $290,013.

michigan municipal league
Workers' Compensation Fund

March 14, 2008

James Nash
City Of Troy
500 W. Big Beaver
Troy, MI 48084

Dear Member:

Enclosed are the following documents for your Workers' Compensation coverage renewal for the period July 01, 2008 to July 01, 2009.

- Policy Declaration
- Certificate of Membership
- Invoice (payable by June 15, 2008)

This year, the Fund has been authorized to distribute $ 7 million of surplus for the Fund years beginning July 1, 1995 and ending June 30, 1999. Your proportionate share of the distribution, if eligible, is shown below:

Dividend Credit	**$46,980.00**	**Applied to 7-1-08/09 renewal premium**
Dividend Check	**$97,651.00**	**Mailed separately**

Please review the enclosed documents and contact me if you have any questions.

Sincerely,

Laura Martin

Laura Martin, AIS
Fund Underwriter

Enclosures
5000410-08

Service Provider: **Meadowbrook® Insurance Group**

Loss Control & Member Services: P.O. Box 5174, Southfield, MI 48037 PH: 248.358.1100 • 800.482.2726 • FX: 248.358.0534
Southfield Claims Service: P.O. Box 5174, Southfield, MI 48086-5174 PH: 248.358.1100 • 800.482.2726 • FX: 248.358.3251
Grand Rapids Claims: 3501 Lake Eastbrook S.E., Suite 150, Grand Rapids, MI 49546 PH: 616.942.0311 • 800.752.7477 • FX: 616.942.0390

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