



CITY COUNCIL AGENDA ITEM

Date: June 11, 2013

To: Brian Kischnick, City Manager

From: Tom Darling, Director of Financial Services
Lisa Burnham, Accounting Manager

Subject: Bid Waiver – Workers’ Compensation Insurance Renewal for Fiscal Year 2013/14

History

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. Mr. Zervos was contacted again 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 more than 860 public entities throughout Michigan. The broker for the MML WCF takes competitive bids from re-insurers. As of June 2013, the re-insurer and the A.M.Best rating is: Munich RE (A+).

As an employer, the State of Michigan requires the City of Troy to provide the 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

Financial

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. Last year we had an experience modification factor of 1.02; this year we had a decrease of .05 in our experience modifier. In addition, we are receiving a dividend credit of \$222,443.

The renewal premium to the City for FY 2013/14 is \$255,911. The City’s premium for FY 2012/13 was \$269,407 and for FY 2011/12 it was \$336,349.

Funds are available in the Worker’s Compensation Fund.



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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 recommended that City Council approve the renewal of the City's workers compensation coverage for the net cost in the fiscal year 2013-2014 of \$255,911.