



CITY COUNCIL ACTION REPORT

April 20, 2010

TO: John Szerlag, 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 2010/2011

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 credit attributable to Fund members overall.
- In March of 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 April 2009. At that time, Mr. Zervos indicated his evaluation is as relevant today as it was then.
- The philosophy and program of the MML WCF has not changed. The MML WCF continues to produce an equitable value for its members.
- The MML WCF provides Workers' Compensation coverage to 851 public entities throughout Michigan.
- The MML WCF's broker takes competitive bids from re-insurers. As of January 1, 2010 the re-insurer and A.M. Best rating is: Discover RE (A+).

Financial Considerations:

- The renewal premium to the City for FY 2010/11 is \$205,789. A reduction of 40.32% (or \$139,056) from the previous years cost.
- The City's comparison costs for FY 09/10 is \$344,845, with 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.
- 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 credit and a reduction of .18 in the City's experience modifier (from .73 to .55) continue to provide the City with continued sound financial position without the increased risk of being self-insured.
- City Management's fiscal responsibility to City Council and our residents is best served by continuing the relationship with the MML WCF.

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 2010-11 of \$205,789.