



500 West Big Beaver  
Troy, MI 48084  
troymi.gov

J-04c

## CITY COUNCIL AGENDA ITEM

Date: May 1, 2018

To: Mark F. Miller, Acting City Manager

From: Tom Darling, Director of Financial Services  
Jeanette Menig, Human Resources Director  
MaryBeth Murz, Purchasing Manager  
Lisa Burnham, Accounting Manager

Subject: Award Standard Purchasing Resolution 3 – Exercise Renewal Option - Workers' Compensation Renewal

---

### History

- The Michigan Municipal League (MML) Workers' Compensation Fund currently provides Workers' Compensation coverage to the City. The MML began providing this coverage for the City of Troy in 1986.
- The City of Troy is one of the largest Members of the MML Workers' Compensation Fund.
- The MML provides coverage to more than 900 public entities throughout Michigan. This non-profit group was started in 1977.
- The MML Workers' Compensation Fund was started because the standard market did not want to provide coverage for police and fire and the rates were incredibly high.
- The MML Workers' Compensation Fund's Pay Lag was an average of 8 days for calendar year 2016 compared to the 15-day average for all of Michigan's 30 Group workers' compensation funds. This is the lowest average number of days of any of the Michigan Group funds. It shows the responsiveness of the MML Workers' Compensation Fund.
- The MML Workers' Compensation Fund is audited annually by the State of Michigan and continues to comply with all State requirements.
- The MML Workers' Compensation Fund audited Financial report can be found at [http://www.mml.org/insurance/fund/pdf/06\\_30\\_2017.pdf](http://www.mml.org/insurance/fund/pdf/06_30_2017.pdf)
- 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 (provided by the MML Workers' Compensation Fund's service provider) Meadowbrook is of high quality.
- The State of Michigan requires the City of Troy to provide workers' disability compensation under Public Act 317 of 1969.
- The MML Workers' Compensation Fund in conjunction with Meadowbrook as the Third-Party Administrator continues to consistently provide:
  - Legal expertise, Defense and related expenses



500 West Big Beaver  
Troy, MI 48084  
troymi.gov

## CITY COUNCIL AGENDA ITEM

- Loss control consultation and expertise
- Claims handling services which are very specific to municipalities and specific to the City of Troy
- Medical Bill Review that mitigates medical expenses. The MML Workers' Compensation Fund pays an average of 56-59% net amount due to its proactive bill review and pharmacy benefits programs; generating a 31-34% savings.
- Timely customer service to City management and injured employees
- Responsive services that assist City staff communications with employees, administration and others
- 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; most years have had an Experience Modifier less than 1.00, which is a positive indicator and rating which nets the City a discount. A detailed historical chart is below.
- The Experience Modifier is calculated based on 3.5 years of claims and payroll history by classification code.
- This year's Declaration Page, which is attached shows the City's Experience Modifier at 1.01.
- The Experience Modifier increased because of the increase in 2017 claims and also because of the 3.53% increase in payroll. Claim detail by year is attached.
- Note that since the Experience Modifier is calculated on a 3.5-year basis, the 2014 claims will fall off next year.
- The City of Troy continues to benefit from the expertise of the MML in the unique provisions of Workers' Compensation that specifically apply to Police Officers and Firefighters.
- If the City were to enroll with a different carrier, the experience modifier would be reset which would result in an additional cost to the City. 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 determined by the new insurance company and existing claims would still be handled by the MML.

### **Financial**

- The City is in receipt of the renewal package from the MML Workers' Compensation Fund which includes a dividend credit attributable to Fund members overall.
- The City will receive a dividend credit of \$147,004.
- The renewal premium for FY 2018-2019 is \$525,930 (net of dividend credit). Premium history is detailed below:



500 West Big Beaver  
Troy, MI 48084  
troymi.gov

## CITY COUNCIL AGENDA ITEM

	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019
Total Standard Premium	\$542,786	\$569,964	\$625,360	\$629,141	\$692,740	\$718,126
Payroll:	Audited	Audited	Audited	Audited	Estimated	Estimated
Experience Modifier	0.97	0.86	0.85	1.01	0.81	1.01
Experience Modifier Credit	-\$16,284	-\$79,795	-\$93,804	\$6,291	\$131,621	\$7,181
Size of Premium Credit	-\$37,613	-\$34,888	-\$37,992	-\$45,782	-\$40,209	-\$52,523
Expense Constant	\$150	\$150	\$150	\$150	\$150	\$150
Total Estimated Premium	\$489,039	\$455,431	\$493,714	\$589,800	\$521,060	\$672,934
Dividend Credit	-\$222,443	-\$158,002	-\$156,292	-\$136,036	-\$147,682	-\$147,004
Net Estimated Annual Premium	\$266,596	\$297,429	\$337,422	\$453,764	\$373,378	\$525,930

- Rates change annually, but the MML Workers' Compensation Fund works to maintain rate stability from year to year. For 2018/2019, average rates are down by approximately 0.47%.
- Premium cost fluctuates predicated upon the City's payroll by classification code. There is a greater change in premium when employees are added or reduced 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 programs and overall safety training and performance.
- \$389,320 budgeted for the 2018-2019 premium cost.
- Although \$389,320 is budgeted for the 2018-19 premium cost, management will monitor actual cost based on payroll during the year, and if necessary, propose a budget amendment at the end of the 2018-19 fiscal year.



500 West Big Beaver  
Troy, MI 48084  
troymi.gov

## **CITY COUNCIL AGENDA ITEM**

### **Recommendation**

City management recommends it is in the City's best interest to waive the bid process and 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 \$525,930 as detailed in the attached Michigan Municipal League Workers' Compensation Fund Declaration Page for the Fiscal Year 2018/2019.

**Michigan Municipal League Workers' Compensation Fund**

04/16/2018

Declaration Page

5000410-18

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

Coverage Period 7/1/2018 to 6/30/2019  
 RENEWAL

Class Code	Class Description	Estimated Annual Payroll	Rate per \$100 of Payroll	Estimated Annual Premium
5509-00	Street Operations	1,537,753	7.42	114,101
7382-00	Transit Authority/Dial-A-Ride Drivers	161,925	4.67	7,562
7520-00	Water Operations	1,587,309	3.76	59,683
7704-01	Firefighters	969,429	4.35	42,170
7704-02	Volunteer/On-Call Firefighters	82,000	7.90	6,478
7720-01	Police Officers	11,185,280	2.84	317,662
8395-00	Garage Operations	769,567	3.40	26,165
8810-01	Clerical-Office	6,739,021	0.45	30,326
8810-02	Elected Officials	36,400	0.24	87
8810-03	Libraries & Museums: Prof/Clerical	1,711,591	0.30	5,135
8820-00	Attorneys/Judges	418,195	0.32	1,338
9015-00	Building Operations	553,286	4.36	24,123
9102-00	Parks & Recreation	1,900,540	3.03	57,586
9103-00	Crossing Guards	38,610	3.88	1,498
9104-00	Lifeguards	316,628	1.80	5,699
9410-00	Municipal Employee	2,080,059	0.89	18,513
	<b>Totals:</b>	<b>\$30,087,593</b>		<b>\$718,126</b>

<u>Coverage Amount</u>		
Employers Liability: \$2,000,000		
Workers' Compensation: STATUTORY		
<b>Premium To Be Billed on Installments: \$525,930</b>		
	Total Standard Premium	\$718,126
	Experience Modifier: 1.01	\$7,181
	Modified Premium	= \$725,307
	Size of Premium Credit	(\$52,523)
	Expense Constant	\$150
	Total Estimated Premium	= \$672,934
	(Dividend Credit)	(\$147,004)
	<b>NET ESTIMATED ANNUAL PREMIUM</b>	<b>= \$525,930</b>

**City of Troy -- Claim Review Comparing 2017 vs. 2018 Experience Modification Data**

<b>Losses</b>	<b>2017-2018 EMF (values as of 12-31-2016)</b>	<b>2017-2018 EMF (values as of 12- 31-2017)</b>
<del>2013 &lt; \$10K</del>	<del>\$ 32,721</del>	
2014 < \$10K	\$ 32,290	\$ 32,290
2015 < \$10K	\$ 43,451	\$ 42,953
2016 < \$10K	\$ 22,600	\$ 41,108
2017 < \$10K		\$ 29,279
<del>2013 Claim</del>	<del>\$ 40,111</del>	
<del>2013 Claim</del>	<del>\$ 13,103</del>	
<del>2013 Claim</del>	<del>\$ 11,616</del>	
2014 Claim	\$ 17,914	\$ 17,914
2014 Claim	\$ 46,577	\$ 36,969
2015 claim	\$ 42,361	\$ 42,939
2015 claim	\$ 15,858	\$ 15,858
2015 claim	\$ 40,712	\$ 93,168
2015 claim	\$ 19,502	\$ 19,502
2015 claim	\$ 74,971	\$ 60,368
2015 claim	\$ 12,200	\$ 12,200
2015 claim	\$ 21,295	\$ 21,295
2015 claim	\$ 16,291	\$ 16,291
2016 claim	\$ 20,441	\$ 10,891
2016 claim	\$ 26,609	\$ 37,608
2016 claim		\$ 11,584
2016 claim		\$ 97,658
2016 claim		\$ 31,613
2017 claim		\$ 91,480
2017 claim		\$ 16,778
2017 claim		\$ 19,450
2017 claim		\$ 19,840
2017 claim		\$ 21,500
<b>Total</b>	<b>\$ 503,573</b>	<b>\$ 840,536</b>