WOODRIDGE
SCHOOL DISTRICT 68

memo

To:	The Board of Education and Dr. Patrick Broncato, Superintendent
From:	Curt Saindon, Assistant Superintendent for Business Services/CSBO
Date:	June 13, 2025
Subject:	SELF Worker's Compensation Insurance Renewal Recommendation

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We purchase our Workers' Compensation Insurance through a school cooperative, SELF (the School Employees Loss Fund), as administered by Arthur J. Gallagher and Associates and managed by York/Sedgewick and Associates. We have been a member of this cooperative pool for over 15 years and have been very happy with the coverage and service provided. Based on a school district of our size and composition in Illinois, with a normal/average amount of claims experience and a modification rating of around 1.0, we would probably expect to spend about $125K to $150K per year for worker's compensation insurance coverage, if we were to purchase it on the open market, given the current market conditions and competitive factors in play.

As explained last month, due to our historically good claims experience in the past (one of the best in the pool with a modification rating of only .67 nine years ago) we were invited to be a part of the Large Deductible Option (LDO) program in 2012 and thereby realize even lower premiums by agreeing to "self-insure" for an initial layer of claims (we have selected a $100,000 self-insurance level) before coverage kicked in. This has saved us over $350,000 during the past fourteen years. However, in 2017, 2018 and 2020, we had bad claims years (a few problematic claims pushed our claims experience from around $20K-$60K per year to over $137K in 2017, over $186K in 2018 and over $82K in 2020) thereby requiring replenishment of our loss fund account, an increase in premiums as our modification rating more than doubled from .67 to 1.51, and repayment of prior year's excess losses that more than offset some smaller credits we received for our payroll audit and our dividend refund in those years. Therefore, we paid out, in total, about $215K in 2018, $238K in 2019, and $226K in 2021 (a loss in those years). <u>We are, however, still about $300,000 ahead cumulatively by participating in the LDO program over time (we have saved about $20K-$25K per year, on average, over time).</u>

For the past five years our claims have been trending much better, so while we saw our modification rating rise from .67 in 2015 to 1.51 in 2020, it went back down to 1.17 in 2021, .92 in 2022, .87 in 2023 and now .65 in 2024 and 2025 (this number is based on a five-year rolling average of claims, so it takes some time to rise and fall). The Pool's overall rating is .85 (below 1.0 and very good for a pool of our size and makeup), so we are well below the pool average and that is also a very good thing. While proposed renewal premiums for the pool as whole are expected to increase by about 4%-5%, we should see a lower increase given our "better than average" mod rating of .65. Under the standard program our premiums are estimated to be $76,307 next year, a decrease of $5,357, or 6.6% over last year's standard quote. When comparing the net costs, after applying all discounts and audit adjustments, the standard program would cost us $55,551 this year, while the LDO Program ($100K option as in the past) would cost us $55,585 (actually a little bit more than the standard program). Last year, we paid $38,310 in premiums to participate in the LDO Program, and this year, we would pay only $34,479. However, our standard plan costs are so low that it is even a little bit cheaper to stay in that program…without the risk of needing to fund our first $100K of claims.

We just received our LDO Program Quote this week with options for $25K, $50K, $100K or $250K deductibles (see attached). However, due to the extremely low cost of the standard program, we are opting this year to stay in that program. Our refund of unused and remaining LDO deductibles will help cover the premium cost of the standard program, and we won't have to replenish the deductible account, saving us $40,000. All in all, we have two great options, but the program with slightly less cost and significantly less risk is the standard program. We will evaluate the two proposals each year and select the program that best fits our needs. This is a great renewal and we hope to maintain net annual costs under $100K going forward (in the $50K to $75K range). As always, if you have any questions regarding this renewal or need additional information please let me know.

RECOMMENDATION

It is the recommendation of the Administration that the Board approve the renewal of our Worker's Compensation Insurance Program with SELF (the School Employees Loss Fund), through their Standard Premium Program, as administered by Arthur J. Gallagher and Associates and managed by York/Sedgewick and Associates, for a total net cost of $55,551 for the period of 7/1/25 through 6/30/26. This net expense includes $63,173 for program premiums, $10,862 for program, risk management and administration services, $1,910 for Miscellaneous Pool Services, $5,041 for payroll audit premium charges and a credit of $25,435 for a return of prior year member equity/dividends. With Board approval the Business Office will process the paperwork to enroll in the Standard Premium Program for the 2025-2026 program year and pay the SELF invoice for $55,551 as part of the July Board Bills. The costs will be paid for out of the Tort Fund, as allowed by law.