



Oak Park Elementary School District 97

970 Madison ▪ Oak Park ▪ Illinois ▪ 60302 ▪ ph: 708.524.3000 ▪ fax: 708.524.3019 ▪ www.op97.org

TO: Dr. Albert G. Roberts, Superintendent of Schools

FROM: Therese M. O'Neill, Assistant Superintendent for Finance & Operations

RE: Worker's Compensation – SELF – Pool Renewal

DATE: June 25, 2013

The Fringe Benefits Coordinator, Linda Moseley, attended the SELF – Worker's Compensation Renewal meeting on Friday, June 7, 2013 and included in this memorandum is a brief Executive Summary explaining the overall worker's compensation insurance market and its impact to Oak Park District 97. Our history, over these past three years, has shown declining premiums:

2010-11	\$377,179
2011-12	\$332,080
2012-13	\$314,191

and proposed for 2013-14 is a premium of \$309,960. This renewal will return to the Board for formal approval at its July 9, 2013 meeting. Given that I do not oversee this arena on a day-to-day basis, should Board members have specific questions, I would appreciate as much lead time as possible to research so I can address any questions and/or concerns competently at the meeting on June 25, 2013.

tmo
attachments (2)

SCHOOL EMPLOYEES LOSS FUND

Workers Compensation Pool Proposal of Insurance July 1, 2013 to June 30, 2014

Presented to:

Oak Park SD 97

Dated:

May 29, 2013

Presented by:

Jim Graff

**Arthur J. Gallagher Risk Management Services, Inc.
300 South Riverside Plaza, 19th Fl
Chicago, IL, 60606**

312-704-0100

www.aig.com



Table of Contents

Section 1

Executive Summary

Quotation

Experience Modification Analysis

Appendix – Table of Contents

SELF Web Reporting for Claims

Oak Park SD 97– SELF Workers Compensation Program Executive Summary

The workers compensation marketplace continues to experience adverse loss development. Loss frequency in 2011 increased for the first time in over 10 years. Medical costs continue to increase driving up the cost of the workers compensation claim. Major markets who have been actively writing this line of coverage for years have limited their writings or have pulled out entirely. Combined loss ratios for the 2012 year are predicted to remain in the 115% range, the same as 2011. Clearly the standard insurance markets must change their pricing strategy.

The SELF workers compensation pool has worked hard in recent years to reduce losses and improve pool results. The effort has been paying off as overall pool loss experience has been improving. For the 2013/2014 renewal SELF's actuary selected a 0.65 loss rate (2012/2013 loss rate was 0.72) following an in-depth review of pool losses. Stabilizing losses were cited as the driving force behind this lower loss rate.

Pool surplus (also referred to as member equity) increased in 2012-2013 to \$13,805,323 as of February 2013. This is due to lower than expected losses in previous years and continued pressure to keep fixed costs low. Return of this surplus member contribution remains an important aspect of the renewal strategy taken by the SELF Executive Board. For the 2013/14 renewal period SELF will allocate \$1,000,000 in surplus be returned to member districts that were active during the 2004 through 2011 years. SELF's commitment to returning excess member contributions has resulted in over \$8,720,000 set aside and returned to members since 2007.

What does all this mean for Oak Park SD 97 and their workers compensation program? In planning for the 2013/14 policy period Oak Park SD 97 should consider past experience and stability. The SELF pool has delivered stable pricing and continued improvement in the overall loss experience of the pool in the past 5 years. SELF is working hard to continue to maintain this good experience. Several programs have been introduced in recent years that help to strengthen the risk management activities of SELF and they include:

- Slip/Trip/Fall Matching Grant Program – this program assists member districts through matching funds used to purchasing safety equipment specifically designed to reduce slip/trip/fall losses. The program will be reviewed and updated before being extended into 2014.
- Monthly Claim Roundtable and Settlement Meeting – this successful program continues to achieve favorable settlement results and Illinois Workers Compensation Commission (IWCC) case wins. The meetings have been expanded to include district involvement for open claim discussion. This assures open communication and sharing of information.
- Dedicated team of claim examiners with many years of experience in adjusting and managing school district claims.
- Predictive Modeling – this program started in 2012 and is on track identifying those claims that have the potential to blow up quickly and costing SELF substantial claim dollars unexpectedly. Work continues to refine this program.

- Risk Control Consulting – every member of SELF is assigned a risk control consultant that is available to assist in safety training, conduct risk assessments and respond to a variety of changing safety requirements.
- Online claims reporting, safety training programs for faculty and staff, and a loss control library are all available to members at www.selfriskcontrol.com.
- Return to Work program – education and training continues in this important area. Districts are encouraged to develop transitional duty programs and policies that can be used to bring injured workers back to work on a temporary duty basis.

The SELF pool is looking to the future to examine pool practices that can contribute towards keeping SELF the stable pool it has become. Some of these areas are challenging but it is important for Oak Park SD 97 to know SELF works hard to forecast future needs and developments that may have an impact on the pool. A few of the more prominent recent developments are listed below:

- Investment Income – short term interest rates have all but disappeared and return on investment continues to be very, very low. This reality is expected to continue for several more years. As a result, SELF no longer realizes investment income that has been used to offset pool expenses. The Executive Committee established an investment subcommittee to examine any options that SELF may have or any enhancements SELF can make to their investment policy. Recommendations are being finalized as this proposal is being published. These recommendations will be reviewed by the Executive Committee who will bring the findings before the Full Board of Directors in June 2013. It is anticipated that even with investment policy changes investment income will remain low.
- Loss Fund Confidence Levels – with investment income being way down SELF has decided to collect more in the form of member contributions. Using the most recent actuary analysis the 2013/2014 loss fund will be established using the 60% confidence level and corresponding loss rate projections.

Member involvement is a big part of why SELF has remained strong over the years. Every member has a say, a vote, on how their workers compensation pool is managed. The proposal that follows emphasizes the strength of SELF. We welcome any questions Oak Park SD 97 may have and we look forward to servicing your school district workers compensation needs in the future.



SCHOOL EMPLOYEES LOSS FUND

July 1, 2013 to June 30, 2014

District Name: Oak Park SD 97

Coverage Summary

LIMITS	
Workers Compensation	Statutory
Employers' Liability	
✓ Bodily Injury by Accident, Each Accident	\$1,000,000
✓ Bodily Injury by Disease, Policy Limit	\$1,000,000
✓ Bodily Injury by Disease, Each Employee	\$1,000,000

COVERAGE ENHANCEMENTS
✓ Broad Form All States Endorsement – U.S.A. and District of Columbia
✓ Voluntary Compensation Endorsement
✓ Communicable Disease Endorsement
✓ Foreign Voluntary Workers Compensation Coverage
✓ Automatic Waiver of Subrogation – If Required by Written Contract

SCHOOL EMPLOYEES LOSS FUND

July 1, 2013 to June 30, 2014

District Name: Oak Park SD 97

Estimated Exposure Comparison

PAYROLL & RATE COMPARISON	07-01-12/13	07-01-13/14	% Change
8868 Professional Employees Estimated Payroll	\$ 41,993,539	\$ 43,043,378	2.5000%
8868 Rate Per \$100	.62	.57	
9101 School – All Other Employees Estimated Payroll	\$ 2,879,643	\$ 2,927,157	1.6500%
9101 Rate Per \$100	6.07	6.08	
7380 Commercial Drivers Estimated Payroll	\$ -	\$	0.0000%
7380 Rate Per \$100	11.88	11.55	
Total Estimated Payroll	\$ 44,873,182	\$ 45,970,535	2.45%

MODIFIER COMPARISON	07-01-12/13	07-01-13/14	% Change
Experience Modification Factor	1.12	1.1	-1.79%
SELF Debit/Credit Modifier	1.17	1.13	-3.42%



Quotation

SCHOOL EMPLOYEES LOSS FUND

July 1, 2013 through June 30, 2014

District Name: Oak Park SD 97

CLASSIFICATION	ESTIMATED PAYROLL*	RATE	MANUAL PREMIUM
8868: Professional Employees (This includes all teachers, teachers aides, administrative personnel, clerical, cafeteria employees, lunchroom/classroom supervisors or monitors)	\$ 43,043,378	0.57	\$ 245,347
9101: School- All Others (Custodial or maintenance workers)	\$ 2,927,157	6.08	\$ 177,971
7380: Commercial Drivers (Full-time and part-time bus drivers)	\$	11.55	\$ -
Total Manual Premium			\$ 423,318
Experience Modification Factor (Promulgated for 2013-2014)			1.1
Total Modified Premium			\$ 465,650
SELF Debit/Credit Modifier			1.13
Member Percent of Pool for Contribution			3.9074%

	POOL TOTAL CONTRIBUTION	% of Pool	MEMBER CONTRIBUTION*
Excess Workers Compensation Premium	\$ 458,297	3.9074%	\$ 17,908
Risk Control Services – Gallagher Bassett	\$ 168,320	3.9074%	\$ 6,577
Claim Services - Sedgwick	\$ 665,913	3.9074%	\$ 26,020
Pool Management/Brokerage Services - AJG	\$ 612,000	3.9074%	\$ 23,913
SELF Miscellaneous Costs**	\$ 225,265	3.9074%	\$ 8,802
SELF Loss Fund	\$ 10,098,807	3.9074%	\$ 394,602
Return of Contribution Prior Years (2004-2011)			\$ (20,648)
2011/2012 Payroll Audit			\$ 56,157
Total Estimated Deposit Contribution			\$ 513,331

*Auditable Policy

**Includes the following: Legal Fees, Audit Fees, Actuarial Fees, Accounting Fees, Director's and Officers', Crime, IL Industrial Commission Fees and Misc. Professional expenses



Large Deductible Option

SCHOOL EMPLOYEES LOSS FUND

July 1, 2013 - June 30, 2014

To: Oak Park SD 97

	\$25,000 Deductible	\$50,000 Deductible	\$100,000 Deductible	\$250,000 Deductible
SELF Member Contribution	\$ 479,814	\$ 479,814	\$ 479,814	\$ 479,814
Large Deductible Factor	0.646	0.541	0.440	0.300
Large Deductible Contribution	\$ 309,960	\$ 259,580	\$ 211,118	\$ 143,944
Loss Fund Deposit (1)	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000
Administrative Cost (Annual)	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500

Deductible Level	Average Estimated Losses (2)
\$25,000	\$ 69,140
\$50,000	\$ 88,355
\$100,000	\$ 110,835
\$250,000	\$ 183,009

Deductible Level	Average Estimated Costs
\$25,000	\$ 380,600
\$50,000	\$ 349,435
\$100,000	\$ 323,453
\$250,000	\$ 328,453

(1) Member Loss Fund Deposit established at inception.

(2) Loss Estimate - Average of five years losses, 2008-2012. Actual losses will vary by district.