



MEMORANDUM

May 23, 2024

To: Kimberly Smith
Chief Financial Officer

From: Tim Sanz
Risk Management Programs

Re: **RFP#855-2024-08-29, Evaluation & Recommendation**
(Excess Workers' Compensation Insurance)

RFP Background Information:

As of 09/01/2008, Frisco ISD has been self-insured for workers' compensation claims and purchases excess insurance to protect against catastrophic losses. Frisco ISD administers its workers' compensation claims through a Third Party Administrator (TPA). The district currently self-insures its workers' compensation claims for the first \$500,000 per incident. Excess insurance is purchased for claims that exceed this Self Insured Retention (SIR) threshold.

The District's current excess workers compensation policy/coverage obtained via RFP #663-2019-08-24 will expire 8/31/2024. Our policy year for this program will be 09/01/2024 through 09/01/2025.

RFP Responses:

Two qualified agents/brokers responded to the Procurement Department during this RFP process. The following vendors/firms were considered in the evaluation process:

Broker/Firm:	Carrier Quoted:
Claims Administrative Services, Inc.	Midwest Employers Casualty Company
Claims Administrative Services, Inc.	USSU/ Star Insurance Company
Harding-Conley-Drawert-Tinch Insurance Agency	Incline Casualty Company/The Gray Insurance Company
Harding-Conley-Drawert-Tinch Insurance Agency	Safety National Casualty Company

Award Recommendation:

The formal award recommendation to the board of trustees is to award RFP #855-2024-08-29 to the following (incumbent) vendor:

Midwest Employers Casualty Company (MECC)

Quote #0250501

\$500K SIR, With Aggregate

(Please see attached quotation worksheet.)

%:

Claims Administrative Services

501 Shelley Drive

Tyler, TX 75701

Evaluation Notes / Comments:

All of the carrier quotes received by Frisco ISD during this RFP process were very competitive.

- The service team at MECC has served Frisco ISD well over all "best value" capacity. Their firm's qualifications & references remain as one of the strongest in the industry and the pricing submitted is in-line with District expectations for the specific retention level and coverage options quoted.
- Frisco ISD has benefited greatly from all of the other supplemental services that are included with the MECC program/coverage. This includes the data analytics, and benchmarking.
- MECC has established working relationships with all of the other 3rd party providers currently supporting Frisco ISD's workers compensation program including our primary TPA and other sub-contracted providers, notably Injury Management Organization (IMO) that provides Nurse Case Management and pre-authorization services. This award recommendation to MWECC would promote continuity of our current program.
- As an added layer of catastrophic financial protection, Frisco ISD prefers to elect an optional aggregate layer of coverage to this policy. A detailed explanation of how this aggregate coverage would apply in a catastrophic claim situation is outlined on the attached worksheet.
- The Districts 3rd party insurance consultant Roach Howard Smith & Barton (RHSB), acquired via RFQ #683-2021-04-27, assisted the Frisco ISD Risk Management Department throughout the duration of this RFP process. When evaluating Excess Workers' Compensation policies consideration is given to resources, longevity in the Excess WC market, and financial stability of each broker/carrier.

Evaluative Criteria and Relative Weights:

The assigned evaluative criteria to RFP #855-2024-08-29 that were considered by the District in its decision to award this contract were as follows totaling 100%:

Relative Weights %

A.	The Purchase price.	20%
B.	The reputation of the vendor and the vendor's goods and services.	15%
C.	The quality of the vendor's goods and services.	20%
D.	The extent to which the goods or services meet the District's needs.	10%
E.	The vendor's past relationship with the District.	5%
F.	The impact on the ability of the District to comply with laws relating to historically underutilized business.	0%
G.	The total long-term cost to the District to acquire the goods or services.	20%
H.	Any other relevant factor that a private business entity would consider in selecting a vendor.	10%
	Total:	100%

RFP 855-2024-08-29 Excess Workers' Compensation Insurance	Vendor Name	Purchase Price (20)	Reputation of Goods & Services (15)	Quality of Goods & Services (20)	Meet District Needs (10)	Past Relationship with District (5)	Compliance with HUB (0)	Total Long Term Cost (20)	Texas Residency (0)	Other (10)	TOTAL POINTS	AVERAGE
1	Harding-Conley-Drawert-Tinch Insurance Agency	54.00	40.00	46.00	26.00	5.00	0.00	51.00	0.00	28.00	250.00	83.33
2	CAS-Claims Administrative Services, Inc.	58.00	45.00	58.00	29.00	15.00	0.00	56.00	0.00	30.00	291.00	97.00

Thank you for the opportunity to submit this recommendation. If you need additional support please do not hesitate to contact us.

Thank you,

-Tim Sanz
 Director of Risk Management Programs
 Central Administration
 469-633-6340 (Office)
sanzt@friscoisd.org

Attachments:

- 1) RHSB Insurance Proposal Evaluation, Aggregate Example & Executive Summary
- 2) Midwest Employers Casualty Company – Quotation Worksheet

Insurer: Midwest Employers Casualty Company

Policy Effective Date: 09/01/2024

Insured: Frisco Independent School District

Quote Date: 04/29/2024

Policy #:

Quote Expiration Date: 60 Days

POLICY TERMS	QUOTE OPTIONS			
	0250420	0250501		
Named States	TX	TX		
SPECIFIC:				
Specific Limit	STATUTORY	STATUTORY		
Specific Retention	\$500,000	\$500,000		
EMPLOYERS LIABILITY:				
Employers Liability Limit	\$1,000,000	\$1,000,000		
Employers Liability Retention	See Specific	See Specific		
AGGREGATE:				
Aggregate Limit	\$1,000,000	\$1,000,000		
Rate as a % of Normal Premium	268.7%	225.4%		
Estimated Aggregate Retention	\$3,950,860	\$6,628,387		
Minimum Aggregate Retention	NA	NA		
Aggregate Loss Limitation	\$500,000	\$500,000		
RATING BASE:				
Est. Annual Payroll	\$507,958,754	\$507,958,754		
Est. Annual Manual Premium	\$1,470,361	\$1,470,361		
Length of Policy (Years)	1.000000	2.000000		
Est. Policy Normal Premium	\$1,470,361	\$2,940,722		
Rate as a % of Normal Premium	15.55%	15.55%		
PREMIUM:				
Total Est Policy Prd Premium (including Flat Charges)	\$228,641	\$457,282		
Policy Minimum Premium	\$205,777	\$411,554		
Deposit Premium	\$228,641	\$228,641		
Deposit Flat Charge(s)	NA	NA		
Total Deposit Due	\$228,641	\$228,641		
Terrorism Risk Ins Act of 2002 (incl in Total Deposit Due above)	\$6,859	\$6,859		
Commission	10%	10%		

CONDITIONS / COMMENTS:

* MECC must be notified of any aircraft changes occurring during the policy period.



**Endorsement Schedule
Quotation**

Insurer: Midwest Employers Casualty Company

Policy Effective Date: 09/01/2024

Insured: Frisco Independent School District

Quote Date: 04/29/2024

Policy #:

Quote Expiration Date: 60 Days

Quote Option(s) 0250501 Include(s) the following Endorsements:

CMB-187 Two Year Policy Short Rate Table
ISI-285 More Than One Premium Adjustment

The following endorsements apply to all quote options:

CMB-11 Amendment to Schedule Item 11
CMB-199 Policyholder Disclosure Notice of Terrorism Insurance
ISI-254-EXC Aircraft Exclusion
CMB-TX Texas Important Notice
ISI-TX-A Texas - Governmental Entities
CMB-TX-EL Texas Employers Liability

Coverage for acts of terrorism, as defined in the Terrorism Risk Insurance Act as amended, (the "Act"), is included in the quote for your policy.

As defined in Section 102(1) of the Act: The term "act of terrorism" means any act that is certified by the Secretary of the Treasury—in consultation with the Secretary of Homeland Security, and the Attorney General of the United States—to be an act of terrorism; to be a violent act or an act that is dangerous to human life, property, or infrastructure; to have resulted in damage within the United States, or outside the United States in the case of certain air carriers or vessels or the premises of a United States mission; and to have been committed by an individual or individuals as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion. Under your coverage, any losses resulting from certified acts of terrorism may be partially reimbursed by the United States Government under a formula established by the Act.

However, your policy may contain other exclusions which might affect your coverage, such as an exclusion for nuclear events. Under the formula, the United States Government generally reimburses 80% beginning on January 1, 2020 of covered terrorism losses exceeding the statutorily established deductible paid by the insurance company providing the coverage. The Act contains a \$100 billion cap that limits U.S. Government reimbursement as well as insurers' liability for losses resulting from certified acts of terrorism when the amount of such losses exceeds \$100 billion in any one calendar year. If the aggregate insured losses for all insurers exceed \$100 billion, your coverage may be reduced.

The portion of your annual premium that is attributable to coverage for acts of terrorism, as defined in the Act is shown below, and does not include any charges for the portion of losses covered by the United States government under the Act.

Quote Option	<u>0250420</u>	<u>0250501</u>
TRIA Charge:	\$6,859	\$6,859
	<u> </u>	<u> </u>

Name of Insurer: Midwest Employers Casualty Company

Name of Insured: Frisco Independent School District



EXCESS WORKERS' COMPENSATION PROPOSAL REVIEW 2024



**8750 N. Central Expressway, Suite 500, Dallas, Texas 75231
Main: 972-231-1300 • Fax: 972-231-1368**

**1320 S. University Drive, Suite 1000, Fort Worth, Texas 76107
Main: 817-332-1313 • Fax: 817-332-2956**

Executive Summary

RHSB reviewed seven total quotes received for the 2024 – 2025 Excess Workers’ Compensation renewal on behalf of Frisco Independent School District (“Frisco ISD” or “FISD”). The District’s current agent, Claims Administrative Services (“CAS”), offered quotes from two carriers, Midwest Employers Casualty Company (“MECC”) and USSU/ Star Insurance Company (“USSU”). Harding-Conley-Drawert-Tinch Insurance Agency (“HCDT”) also offered quotes from two carriers, Incline Casualty Company (“ICC”)/ The Gray Insurance Company (“GIC”) and Safety National Casualty Company (“SNCC”). HCDT presented in conjunction with their wholesale partner, AmWins.

Broker	CAS	Claims Administrative Services, Inc. (CAS)			Harding-Conley-Drawert-Tinch Insurance Agency (HCDT)/Amwins						
	EXPIRING	OPTION 1	OPTION 2	OPTION 3	OPTION 1	OPTION 2	OPTION 3	OPTION 4	OPTION 5	OPTION 6	OPTION 7
Carrier	USSU/Star Ins Co	USSU/Star Ins Co	Midwest Employers Casualty Co	Midwest Employers Casualty Co	The Gray Ins Co / Incline Casualty Co	The Gray Ins Co / Incline Casualty Co	The Gray Ins Co / Incline Casualty Co	Incline Casualty Co	Incline Casualty Co	Safety National Casualty Co	Safety National Casualty Co
AM Best Rating	A-X	A-X	A+ XV	A+ XV	A- VII / A- VIII	A- VII / A- VIII	A- VII / A- VIII	A- VIII	A- VIII	A++ XV	A++ XV
Specific Retention	\$500,000	\$500,000	\$500,000	\$500,000	\$350,000	\$400,000	\$450,000	\$500,000	\$600,000	\$500,000	\$600,000
Specific Limit	Statutory	Statutory	Statutory	Statutory	Statutory	Statutory	Statutory	Statutory	Statutory	Statutory	Statutory
Employers Liability Limit	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Aggregate Limit	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Est Aggregate Retention	\$5,297,892	\$6,045,471	\$3,950,860	\$6,628,387	\$7,600,000	\$7,600,000	\$7,600,000	\$7,600,000	\$7,800,000	\$3,555,711	\$3,809,691
Loss Limitation	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$600,000	\$500,000	\$600,000
Estimated Payroll	\$459,583,083	\$505,006,462	\$507,958,754	\$507,958,754	\$507,958,753	\$507,958,753	\$507,958,753	\$507,958,753	\$507,958,753	\$507,958,753	\$507,958,753
Rate (per \$100 payroll)	\$0.0685	\$0.054	\$0.045	\$0.045	\$0.0668	\$0.06045	\$0.055	\$0.0509	\$0.0458	\$0.0572	\$0.0525
Auditable	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Policy Term	1 year	1 year	1 year	2 year	2 year	2 year	2 year	2 year	2 year	1 year	1 year
Rate Guarantee	Yes	Yes	No	Yes - for yr 2	Yes - for incline's portion for yr 2*	Yes - for incline's portion for yr 2*	Yes - for incline's portion for yr 2*	Yes - for yr 2	Yes - for yr 2	Yes*	Yes*
Estimated Annual Premium	\$314,814	\$272,703	\$228,641	\$228,641	\$339,462	\$307,062	\$279,462	\$258,762	\$232,891	\$290,552	\$266,678
Total Estimated Policy Term Premium	\$314,814	\$272,703	\$228,641	\$457,282	\$678,924	\$614,124	\$558,924	\$517,524	\$465,782	\$290,552	\$266,678

Conditions/Comments:
HCDT/Amwins' Option 1, Option 2 & Option 3 include a buydown of the specific retention from \$500,000 through The Gray Insurance Company. The Gray Insurance Company has offered a renewal rate guarantee for year 2 subject to certain terms and conditions (see letter submitted with response)
HCDT/Amwins' Option 6 & Option 7 included a rate guarantee subject to terms and conditions (see Safety National Casualty Corporation Program Commitment Agreement submitted with response)
Premiums for 2-year policy options are paid by annual installments and are subject to annual audit.

The incumbent carrier, USSU, offered a one-year renewal with a rate guarantee for a second year, while the other three programs offered both one- and two-year renewal options. The most competitively priced option at the District’s expiring Self-Insured Retention (“SIR”) of \$500,000 is MECC with an annual estimated premium of \$228,641.

The District’s recent loss history does not reflect issues with severe or high-cost claims. While there could always be an outlier year of unexpected occurrences, the District does a great job managing and mitigating losses. As such, we feel the lower SIR options for a higher premium does not benefit the District and recommend keeping the current \$500,000 SIR.

USSU, MECC, and SNCC each offer online portals and additional value-added resources outlined in their proposals. All carriers proposed maintain an A- carrier rating or higher.

Frisco ISD’s preference is to purchase coverage with an aggregate limit to provide more financial protection for a relatively low premium. Please see the following exhibit that outlines the structure of an aggregate limit in terms of Excess Workers’ Compensation.

AGGREGATE LIMIT EXAMPLE

** Example is Based on Option 3 Above*

Coverage Summary: (Policy Period 9-1-24 through 9-1-26):

Based on Estimated Annual Manual Payroll: \$507,954,754

Specific Retention: \$500,000
Limit: Statutory

Aggregate Coverage:

Aggregate Limit: \$1,000,000
Percentage of Manual Premium 225.4%
Estimated Aggregate Retention \$6,628,387
Aggregate Loss Limitation: \$500,000

Specific Coverage is quoted using the terms requested by FISD. The specific retention level is set based on factors such as historical large losses, type of operations, and financial status. Quoted options typically range from 400K-750K.

Aggregate Coverage: Aggregate coverage is designed to provide a stop loss for the District's W/C program. It is separate from Specific Coverage but works in conjunction with Specific Coverage to provide complete coverage. Covered losses up to the **Aggregate Loss Limitation** not reimbursed by the carrier apply toward the **Estimated Aggregate Retention**.

The **Aggregate Limit** is the most that the carrier will pay under the Aggregate coverage.

The **Aggregate Loss Limitation** is the amount of the specific retention applied toward the **Estimated Aggregate Retention**.

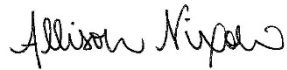
To explain how the coverage works we will look at the terms offered to Frisco ISD. For this example, we assume the audited payroll audit equals the quoted payroll amount.

Example: Frisco ISD has been offered a program with a \$500,000 Specific Retention. The District is responsible for the amount of loss up to \$500,000 per occurrence. Anything over \$500,000 per occurrence would be reimbursed by the carrier with no limit (Statutory).

Each dollar paid up to the **Aggregate Loss Limitation** of \$500,000 per occurrence applies towards the **Estimated Aggregate Retention** which is \$6,628,387 for the 2-year policy term. Frisco ISD will pay all losses up to \$500,000 per occurrence until the out-of-pocket hits \$6,628,387. The carrier will then step in and reimburse all losses from \$6,628,387 to \$7,628,387 (due to the \$1,000,000 Aggregate Limit). If losses exceed \$7,628,387 Frisco ISD will be responsible for paying all loss dollars above that level. Please note that "loss" includes allocated loss expenses and legal expenses. These expenses will count towards both Specific and Aggregate coverages.

In summary, Frisco ISD received multiple competitive and favorable renewal quote options. It's our opinion the Midwest Employers Casualty Company two-year option with the \$500,000 SIR provides the District the best overall value.

Sincerely,



Allison Nixon
Senior Vice President, Principal
RHSB

A.M. Best's Ratings

Proposed Carriers	A.M. Best's Rating	Admitted / Non-Admitted
Incline Casualty Company	A- VIII	Admitted
The Gray Insurance Company	A- VII	Admitted
Midwest Employers Casualty Company	A+ XV	Admitted
Safety National Casualty Company	A++ XV	Admitted
Star Insurance Company (USSU)	A- X	Admitted

If the above indicates coverage is placed with a Non-Admitted Carrier, the carrier is doing business in the state as a surplus lines or non-admitted carrier. As such, the carrier is not subject to the same regulations which apply to an admitted carrier, nor do they participate in any insurance guarantee fund applicable in that state.

Guide to Best Ratings

Rating Levels and Categories

Level	Category
A++, A+	Superior
A, A-	Excellent
B++, B+	Very Good

Level	Category
B, B-	Fair
C++, C+	Marginal
C, C-	Weak

Level	Category
D	Poor
F	Under Regulatory Supervision
F	In Liquidation
S	Rating Suspended

Financial Size Categories

(In \$000 of Reported Policyholders' Surplus Plus Conditional Reserve Funds)

FSC I	Up to 1,000	FSC IX	250,000 to 500,000
FSC II	1,000 to 2,000	FSC X	500,000 to 750,000
FSC III	2,000 to 5,000	FSC XI	750,000 to 1,000,000
FSC IV	5,000 to 10,000	FSC XII	1,000,000 to 1,250,000
FSC V	10,000 to 25,000	FSC XIII	1,250,000 to 1,500,000
FSC VI	25,000 to 50,000	FSC XIV	1,500,000 to 2,000,000
FSC VII	50,000 to 100,000	FSC XV	2,000,000 or more
FSC VIII	100,000 to 250,000		

Best's Insurance Reports, published annually by A.M. Best Company, Inc., presents comprehensive reports on the financial position, history, and transactions of insurance companies operating in the United States and Canada. Companies licensed to do business in the United States are assigned a Best's Rating which attempts to measure the comparative position of the company or association against industry averages.



**RFP #855-2024-08-29
EXCESS WORKERS COMPENSATION**

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Carrier	USSU/Star Ins Co	USSU/Star Ins Co	Midwest Employers Casualty Co	Midwest Employers Casualty Co	The Gray Ins Co / Incline Casualty Co	The Gray Ins Co / Incline Casualty Co	The Gray Ins Co / Incline Casualty Co	Incline Casualty Co	Incline Casualty Co	Safety National Casualty Co	Safety National Casualty Co
AM Best Rating	A- X	A- X	A+ XV	A+ XV	A- VII / A- VIII	A- VII / A- VIII	A- VII / A- VIII	A- VIII	A- VIII	A++ XV	A++ XV
Specific Retention	\$500,000	\$500,000	\$500,000	\$500,000	\$350,000	\$400,000	\$450,000	\$500,000	\$600,000	\$500,000	\$600,000
Specific Limit	Statutory	Statutory	Statutory	Statutory	Statutory	Statutory	Statutory	Statutory	Statutory	Statutory	Statutory
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Aggregate Limit	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
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Auditable	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Policy Term	1 year	1 year	1 year	2 year	2 year	2 year	2 year	2 year	2 year	1 year	1 year
Rate Guarantee	Yes	Yes	No	Yes - for yr 2	Yes - for Incline's portion for yr 2*	Yes - for Incline's portion for yr 2*	Yes - for Incline's portion for yr 2*	Yes - for yr 2	Yes - for yr 2	Yes*	Yes*
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