



Board Meeting Date: 7/17/2023

Title: Workers' Compensation Insurance

Type: Consent

Presenter(s): Mert Woodard, Director, Business Services

Description: During the 2021 fiscal year the District elected to switch workers' compensation insurance carriers from State Fund Mutual (SFM) to Dakota Truck Underwriters by and through Risk Administration Services (RAS). The insurance renewal with Dakota Truck Underwriters for the 2023 fiscal year was an increase of 18.87% over the prior year.

The District worked with its agent of record for insurance to obtain rates for the 2024 fiscal year. The renewal proposed by Dakota for 2024 is for a gross increase of 18.30%, with premiums going from \$390,674 to \$462,324. The increase is in line with the District administration's fall 2022 financial forecast.

The main factors for the increase are wages increasing by an estimated 3.60% overall, adverse loss experience, and the District's experience mod going from 0.83 to 0.93 (12.04% increase). The experience mod is calculated on the most recent three years' worth of claims (the District dropped off a very low claim year and added a higher claim year).

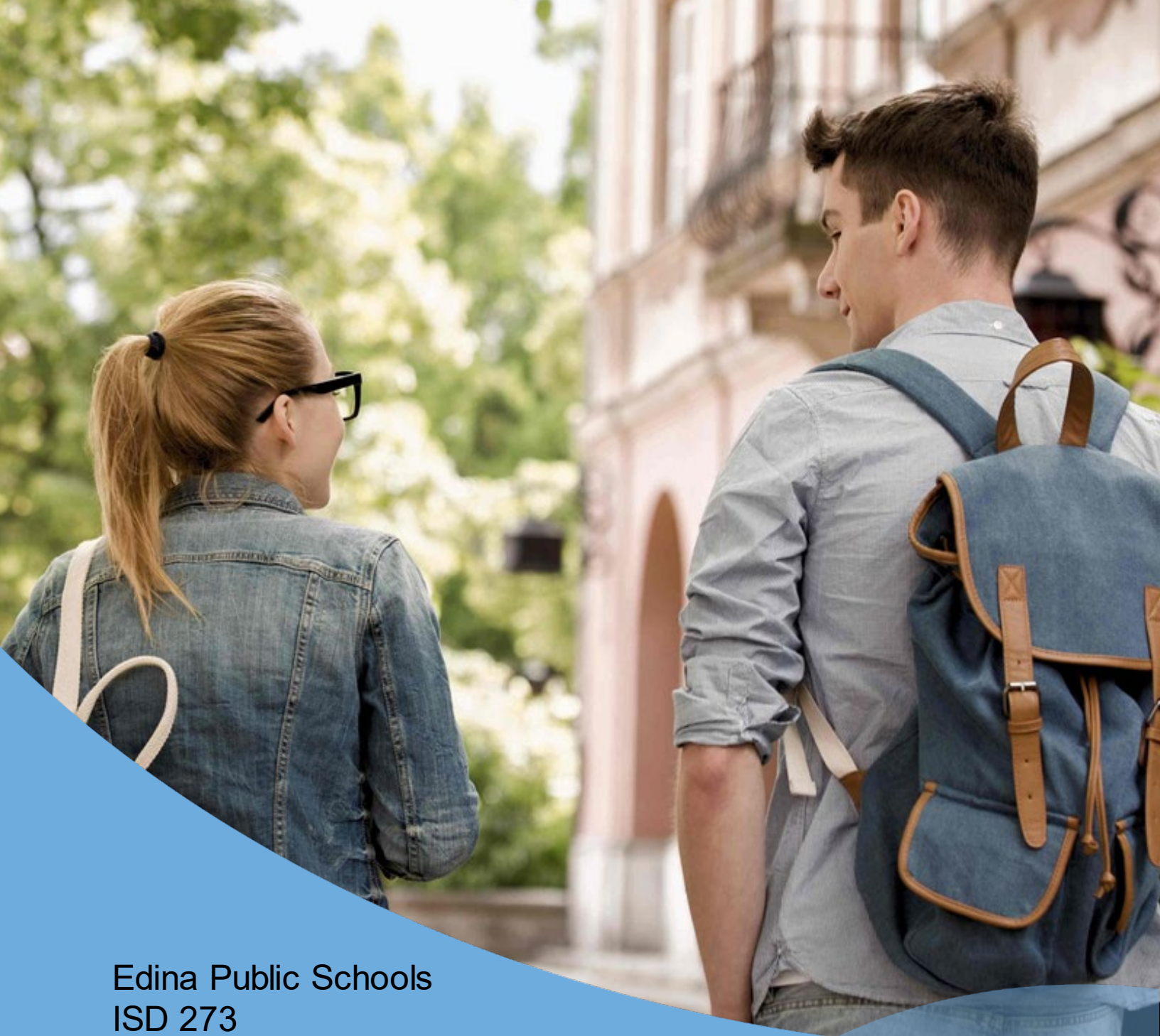
The net rate proposed for fiscal year 2024 of \$0.53 is lower than the fiscal year 2020 rate of the previous carrier of \$0.60.

Recommendation: Accept the workers' compensation rates offered by Dakota Truck Underwriters/RAS for fiscal year 2024 in the estimated aggregate premium amount of \$462,324 and authorize the Director of Business Services to execute all necessary documents related to the renewal.

Desired Outcomes from the Board: Review the executive summary of the workers' compensation program proposal and execute the administration's recommended action.

Attachments:

1. Workers' Compensation Renewal Executive Summary – Fiscal Year 2024



Edina Public Schools ISD 273

Executive Summary 07/01/2023 – 07/01/2024

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06/26/2023



Gallagher

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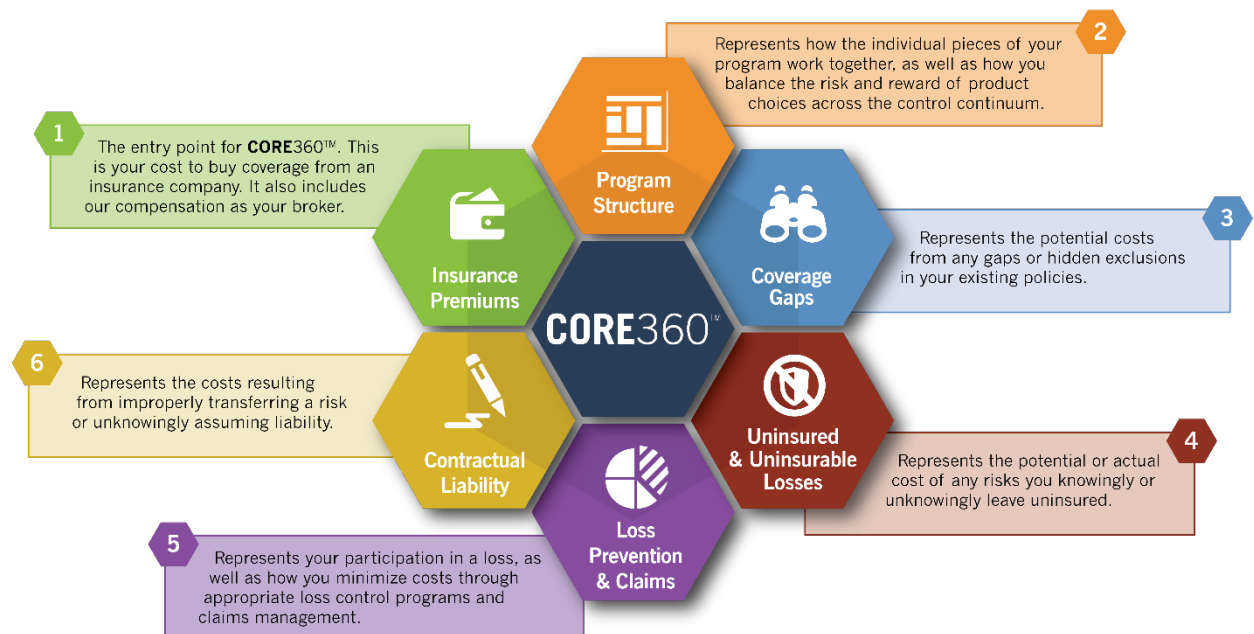
Overview

On behalf of the Gallagher Public Entity team, we would like to thank Edina Public Schools ISD 273 for the continued opportunity to serve the district. This Executive Summary is a shorter version of our proposal and is intended to summarize the renewal and outline our **CORE360™** approach for the district. The intent of our **CORE360™** approach is to help you optimize your total cost of risk and thereby improving the district's profitability to better serve the community. We highlight each **CORE360™** cost driver, beginning with Insurance Premiums and ending with Contractual Liability. Highlighting each cost driver will not only summarize the key accomplishments, but also ensure that we are deliberate in driving value to each of your six cost drivers which represent your total cost of risk.

The Executive Summary also follows the decisions made and action items we discussed during a multiple strategic review discussions in May. During the discussion we established the following goals and objectives for 2023:


- Agreed to continue partnership with RAS at a negotiated 10% increase before any change in exposures. Previous marketing done in 2022, increased Experience Mod and adverse lost history driving net rate increase.
- Continue to provide the greatest deliverable to ISD 273 – program stability and carrier partnership.
- Continue to provide extensive loss prevention and claims advocacy services to drive down the district's total cost of risk.

We believe we have delivered on these results and look forward to reviewing the Executive Summary in further detail. We know that you have a choice and we appreciate your business and continued support.




2023 CORE360 Stewardship Scorecard

Your **CORE360™** Stewardship Scorecard has been developed for you to get a quick snapshot of how we've impacted your total cost of risk over time, by monetizing the cost of risk changes by cost driver.




Insurance Premiums

- 2023 Premium increase of 10% after payroll changes.
- Reduced Workers' Compensation Net Rate by 23.5% since 2019 when the Gallagher partnership began.
- Experience Mod increased 12% in 2023.
- 2023 Net Rate still 11.6% lower than 2019 net rate before RAS partnership was formed.




Program Structure

- Total Payroll for the district increased 3.6%% in 2023.
- Stable program with RAS since partnership began in 2020.



Coverage Gaps

- Our review revealed no actionable coverage gaps at this time.




Uninsured & Uninsurable Losses

- There have been no changes in our understanding of the district's uninsured or uninsurable risks since our last discussion.



Loss Prevention & Claims

- Coordinated RAS Loss Control
 - Ergonomic Evaluations
 - Reviewed Non-Critical Recommendations
 - Custodian Safety Training
- 2023 Experience Mod Analysis completed.
- Aggravated Inequities Completed.



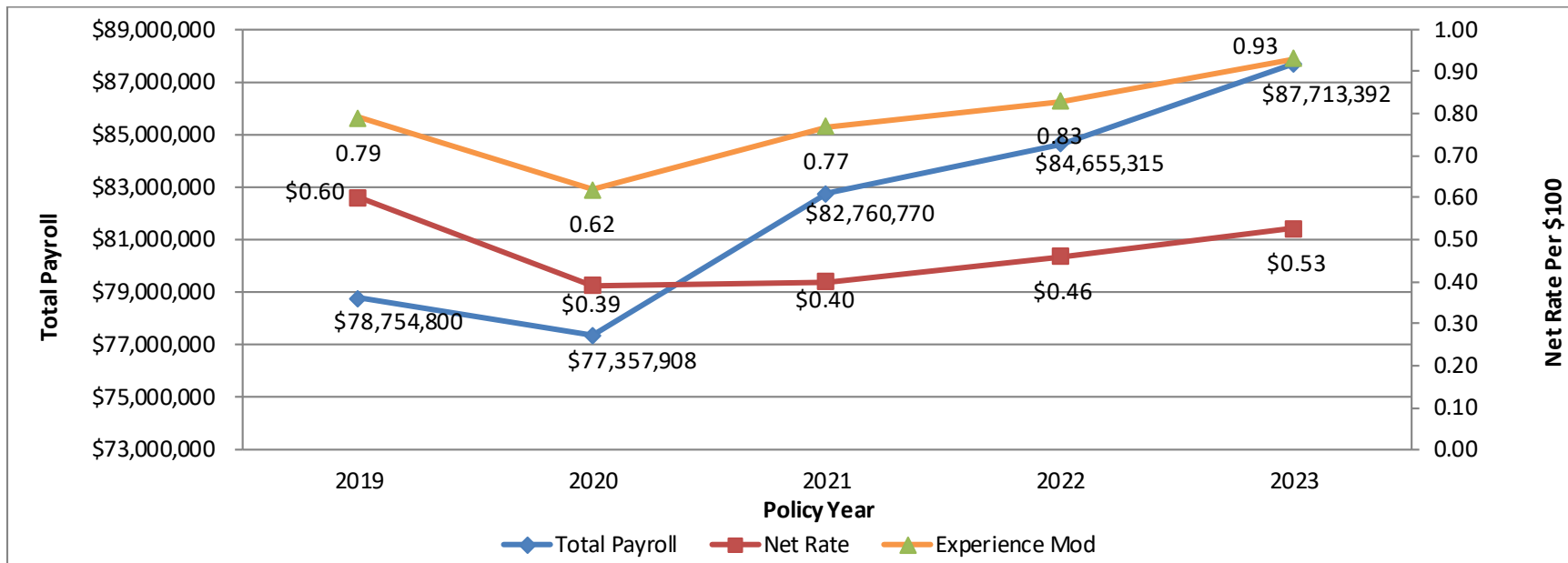
Contractual Liability

- Hidden risk transfers & unknown assumption of liability – Snow removal companies, General Contractors and Construction Managers (for example).

Historical Program Exposures

Class Code	Description	2020 – 2021 AUDITED	2021 – 2022 AUDITED	2022 – 2023 PROJECTED	2023 – 2024 ESTIMATED
7380	Chauffeurs & Helpers	\$24,795	\$24,704	\$26,749	\$56,188
7382	Bus Co. All Other Employees	\$1,345,763	\$1,676,667	\$1,783,194	\$2,490,412
8385	Bus Co. Garage Employees	\$229,051	\$230,979	\$258,558	\$516,546
8868	College Professional Employee	\$72,235,046	\$77,070,867	\$78,692,785	\$80,733,240
9101	College – All Other Employee	\$3,523,253	\$3,757,553	\$3,894,029	3,917,005
Total		\$77,357,908	\$82,760,770	\$84,655,315	\$87,713,392

Historical Characteristics:



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Workers' Compensation Claims Summary

HISTORICAL THREE YEARS

WORKERS' COMPENSATION										
POLICY TERM	CARRIER NAME	IND PAID	MED PAID	EXPENSES PAID	TOTAL PAID	TOTAL RESERVES	TOTAL INCURRED	# OF OPEN CLAIMS	# OF CLOSED CLAIMS	# OF CLAIMS
7/1/2020	RAS	\$17,437	\$59,176	\$14,120	\$90,732	\$0	\$90,732	0	28	28
7/1/2021	RAS	\$46,136	\$156,249	\$15,742	\$218,109	\$0	\$218,109	0	70	70
7/1/2022	RAS	\$8,595	\$52,268	\$1,771	\$62,634	\$207,881	\$270,515	14	56	70
TOTALS:		\$72,168	\$267,693	\$31,615	\$371,475	\$207,881	\$579,356	14	154	168

- 2019 Total Claims - \$394,804
- 2018 Total Claims - \$134,620
- 2017 Total Claims - \$73,908

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Workers' Compensation

EXPERIENCE MODIFICATION VALIDATION

Mod Analysis for Independent School District 273

Mod Snapshot

Effective date: 7/1/2023

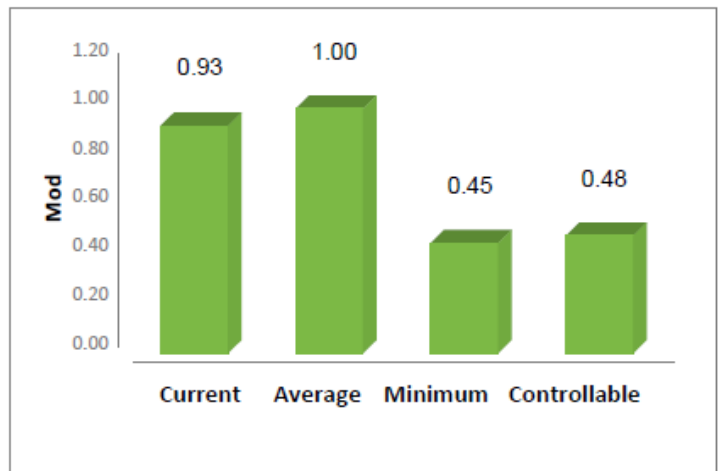
The Key Numbers

Total expected losses	\$654,768
Total expected primary losses	\$287,227
Total expected excess losses	\$367,541
Total unlimited losses	\$717,993
Total limited/adjusted losses	\$676,576
Total actual primary losses	\$196,034
Total actual excess losses	\$480,542
Computed ballast value	87,300
Computed weighting value	0.33
Modification factor	0.93
ARAP factor	1.00

Impact of Top Itemized Losses

State	Injury Date	Incurred Loss	Impact on Mod	Mod w/o Loss
MN	1/7/2020	\$185,861	0.0993	0.8280
MN	12/13/2019	\$150,774	0.0837	0.8436
MN	9/30/2021	\$124,289	0.0720	0.8553
MN	12/10/2021	\$53,217	0.0404	0.8869
MN	11/27/2019	\$39,874	0.0344	0.8929
MN	7/30/2021	\$29,390	0.0298	0.8975
MN	3/9/2021	\$26,637	0.0285	0.8988
MN	8/30/2021	\$15,720	0.0212	0.9061
MN	3/10/2021	\$13,982	0.0188	0.9085
MN	3/4/2021	\$11,342	0.0153	0.9120

Mod Breakdown



Actual vs. Expected Losses by Policy Period



- 2024 Mod Projection of 0.71

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2023 Strategic Review

EARLY RENEWAL RATE EXPECTATIONS FROM THE INCUMBET MARKET

Coverage	Carrier	Rate Indication	Rate Results	Comments
Workers' Compensation	RAS	<p>Initial renewal indication of \$430,085 or 10% premium increase before any change in payroll figures. Leaving credit structure flat, Experience Mod driving increase.</p> <ul style="list-style-type: none"> 2023 Experience Mod increasing 10 points or 12% from 0.83 to 0.93. Program in RAS's lowest rate tier – DTU 	<p>Expiring premium with 2023 payrolls at 2022 rates - \$418,682. Overall 10% increase as negotiated after payroll changes.</p> <p>Total Payroll Increased 3.6%.</p>	<ul style="list-style-type: none"> Current Year Loss Ratio – 72% 3 Yr. Partnership Loss Ratio – 58% RAS school book starting to feel claim pressure. RAS overall rates relatively flat. No change to program structure.

2023 Loss Projection

Pure Loss Rate

Independent School District 273

Based on the selected pure loss rate and the projected Payroll, here are the projected losses for the 7/1/2023 - 7/1/2024 period.

Computation of Projected Losses						
Selected Pure Loss Rate	X	Projected Payroll \$100	=	Projected Losses	➔	\$ 0.29 X $\frac{\$84,655,315}{\$100}$ = \$ 245,500



Renewal Premiums

2023 WORKERS' COMPENSATION RESULTS

	2019 (Previous Broker)	2022 Expiring	2023 Renewal
Carrier	SFM	RAS	RAS
Premium	\$476,151	\$371,624	\$447,266
Surcharges	Incl.	\$19,050	\$15,058
Total Premium	\$476,151	\$390,674	\$462,324
Net Rate	\$0.60	\$0.46	\$0.53

Previous 2022 Marketing Results

- SFM – Declined due to loss history and not competitive at current rate structure.
- Employers – Declined, too large of a school account for them.
- United Heartland – Indicated \$400-\$430K in premium.

Notes:

- Maxed Scheduled Credit of 40% provided in 2021
- Scheduled Credit of 37% provided in 2022.
- Payrolls increased 7% in 2021 and 2.5% in 2022 and 3.6% in 2023.

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Thank You for Your Business

On behalf of the Gallagher team, we would like to thank the district for the continued opportunity, partnership, support and confidence you have placed in us to handle the insurance program. We have enjoyed the partnership and look forward to continue earning the district's business year-over-year. We enjoyed implementing the agreed upon renewal strategy in 2023 and thus reducing the district's total cost of risk. Thank you

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Founded in
1927

\$6B
Total adjusted Brokerage & Risk Management revenues (2020)

32,000+
Employees worldwide

850+
Offices in 49 countries

150
Countries served

HIGHLY SPECIALIZED. DEEP EXPERTISE.

Casualty
Commercial Surety & Bonds
Credit & Political Risk

Cyber
Management Liability
Property

OUR APPROACH TO RISK.



CORE360® is our unique, comprehensive approach of evaluating your risk management program that leverages our analytical tools and diverse resources for customized, maximum impact on six cost drivers of your total cost of risk.

27+ INDUSTRY PRACTICES



TIMES CHANGE. ETHICS DON'T.

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25 tenets that have guided a team-oriented culture for 30+ years.

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