

**FOR ACTION**

**AGENDA ITEM:**

**July 9, 2013**

**SUBJECT: Worker's Compensation – SELF Pool Renewal**

**I move that the Board of Education of Oak Park District 97 approve the 2013-14 renewal with SELF for District 97's Worker's Compensation services at an annual premium of \$309,960 as outlined in the memorandum to the Superintendent dated June 25, 2013.**



# Oak Park Elementary School District 97

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**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, 19<sup>th</sup> Fl  
Chicago, IL, 60606**

**312-704-0100  
[www.aig.com](http://www.aig.com)**



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**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](http://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**

<b>PAYROLL &amp; RATE COMPARISON</b>	<b>07-01-12/13</b>	<b>07-01-13/14</b>	<b>% Change</b>
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%

<b>MODIFIER COMPARISON</b>	<b>07-01-12/13</b>	<b>07-01-13/14</b>	<b>% Change</b>
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
<b>8868: Professional Employees</b> (This includes all teachers, teachers aides, administrative personnel, clerical, cafeteria employees, lunchroom/classroom supervisors or monitors)	\$ 43,043,378	0.57	\$ 245,347
<b>9101: School- All Others</b> (Custodial or maintenance workers)	\$ 2,927,157	6.08	\$ 177,971
<b>7380: Commercial Drivers</b> (Full-time and part-time bus drivers)	\$	11.55	\$ -
<b>Total Manual Premium</b>			<b>\$ 423,318</b>
Experience Modification Factor (Promulgated for 2013-2014)			1.1
Total Modified Premium			\$ 465,650
SELF Debit/Credit Modifier			1.13
<b>Member Percent of Pool for Contribution</b>			<b>3.9074%</b>

	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
<b>Total Estimated Deposit Contribution</b>			<b>\$ 513,331</b>

\*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.

# Workers' Compensation Experience Rating Worksheet

Name: Oak Park SD #97

Effective Date: 7/1/2013

Risk ID:

State: IL

1	2	3	4	5	6	7	8	9	10	11
CODE	ELR	D-RATIO	PAYROLL	EXPECTED LOSSES	EXP. PRIM. LOSSES	CLAIMDATA # ID	IJ	POLICY DATE	ACT. INC. LOSSES	ACT. PRIM. LOSSES

\*\*\*\*\*Illinois

Policy Period: 7/1/2009 to 7/1/2010

Policy #:

8868	0.33	0.21	43,020,268	141,967	29,813	4 Sm. losses	5	07/01/09	5,173	5,173
9101	3.46	0.21	2,746,185	95,018	19,954	15 Sm. losses	6	07/01/09 *	10,624	10,624
						1 1656812-1	5		5,074	5,074
						1 1654288-1	5		7,341	7,341
						1 1628970-1	5		7,429	7,429
						1 1640442-1	5		8,419	8,419
						1 1620403-1	5		17,495	10,000
						1 1619571-1	5		19,440	10,000
						1 1656820-1	5		23,221	10,000
						1 1623698-1	5		100,625	10,000
						1 1625006-1	5		259,736	10,000
						1 1648755-1	6	*	6,191	6,191
Policy Period Totals			45,766,453	236,985	49,767				470,768	100,251

Policy Period: 7/1/2010 to 7/1/2011

Policy #:

8868	0.33	0.21	41,993,539	138,579	29,102	2 Sm. losses	5	07/01/10	4,520	4,520
9101	3.46	0.21	2,879,643	99,636	20,923	14 Sm. losses	6	07/01/10 *	17,625	17,625
						1 1676338-1	5		5,730	5,730
						1 1709333-1	5		19,810	10,000
						1 1676487-1	5		69,989	10,000
						1 1692590-1	5		260,702	10,000
Policy Period Totals			44,873,182	238,214	50,025				378,375	57,875

Policy Period: 7/1/2011 to 7/1/2012

Policy #:

8868	0.33	0.21	42,046,008	138,752	29,138	1 Sm. losses	5	07/01/11	4,090	4,090
9101	3.46	0.21	2,955,788	102,270	21,477	7 Sm. losses	6	07/01/11 *	5,646	5,646
						1 1778859-1	5		7,600	7,600
						1 1775528-1	5		17,761	10,000
						1 1779672-1	5		42,214	10,000
						1 1762364-1	5		52,747	10,000
Policy Period Totals			45,001,796	241,022	50,615				130,058	47,336

		(D) - (E)		(H) - (I)				
0.25		565,814	716,222	150,408	773,739	114,400	951,140	177,401
"W" VALUE		EXPECTED EXCESS	TOTAL EXPECTED	TOTAL EXP. PRIM.	ACTUAL EXCESS	"B" VALUE	TOTAL ACTUAL	TOTAL ACT. PRIM.
A	B	C	D	E	F	G	H	I

# Limited loss.  
s Subrogation  
or other special loss.

		11	12	13	14	15
		PRIMARY LOSSES	STABILIZING VALUE	RATABLE EXCESS	ADJUSTED TOTALS	EXP MOD
16 ARAP 1.05 if applicable	ACTUAL	(I)	(C) X (1 - A) + (G)	(A) X (F)		(J) / (K)
		177,401	538,761	193,435	909,596	1.10
	EXPECTED	(E)	(C) X (1 - A) + (G)	(A) X (C)		
		150,408	538,761	141,454	830,622	

Proprietary and Confidential. ModMaster software provides for an ESTIMATE of an experience modification factor. Your official experience modification factor is issued solely by the applicable workers' compensation rating bureau.

\* Rating reflects a decrease of 70 percent medical-only primary and excess loss dollars where ERA is applied, reflected only in totals (F), (H), and (I).

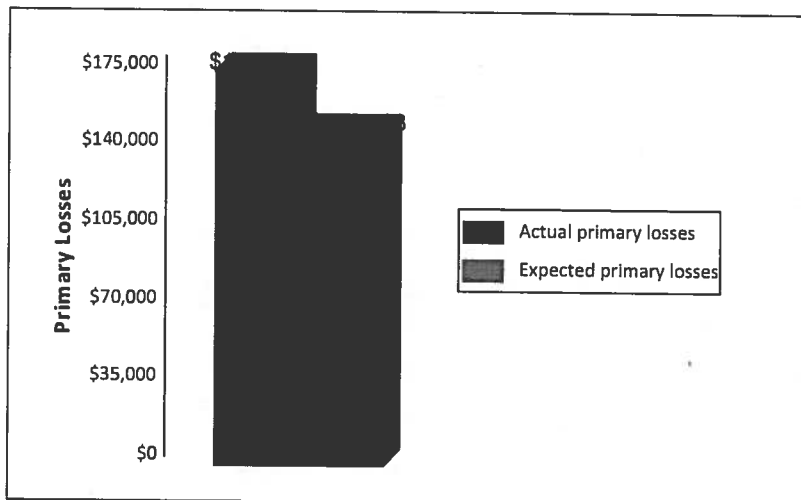
The ARAP surcharge shown is for those states in the rating that have approved the ARAP program. It was calculated based on the general interstate formula and maximum, however, the maximum surcharge may vary by state.

# Loss Ratio Analysis

Effective date: 7/1/2013  
Modification factor: 1.10

## Frequency of Loss Analysis

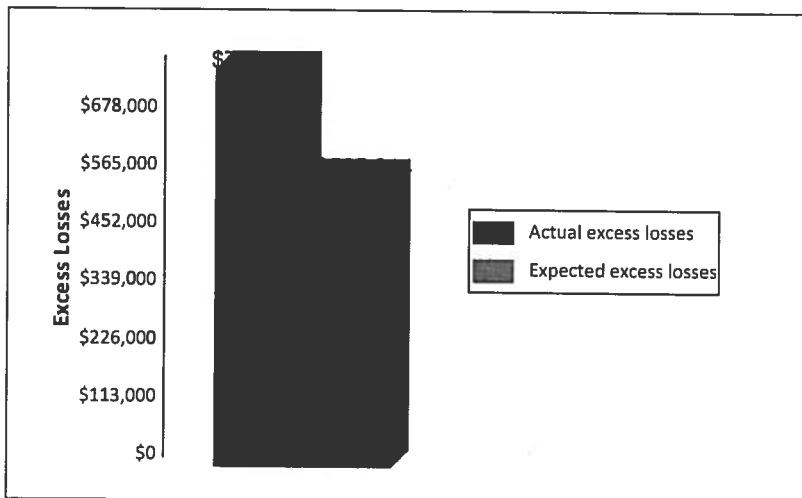
Ratio of actual primary losses (APL) to expected primary losses (EPL): 117.9%



Your company's actual primary losses are higher than expected for a business of your size and industry. This indicates your company is experiencing too many losses and that you are vulnerable to severe losses, since the more losses you have, the greater chance you will incur a large loss. There is ample opportunity to lower your loss frequency through loss prevention and control practices your insurance advisor can recommend.

## Severity of Loss Analysis

Ratio of actual excess losses (AEL) to expected excess losses (EEL): 136.7%



Your company's actual excess losses are higher than expected for a business of your size and industry. This indicates your company is experiencing losses which are more severe than expected. There is ample opportunity to lower your loss severity through loss control practices your insurance advisor can recommend.

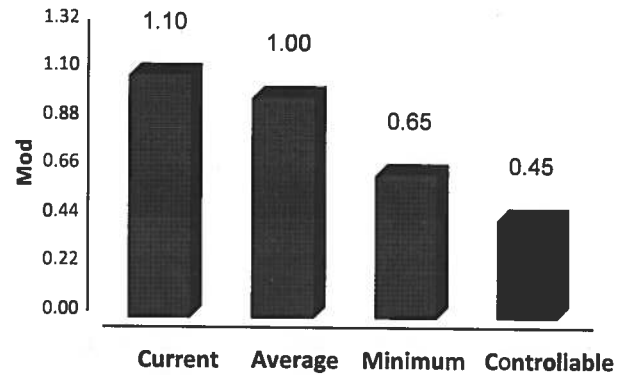
# Mod Snapshot

Effective date: 7/1/2013

## The Key Numbers

Total expected losses	\$716,222
Total expected primary losses	\$150,408
Total expected excess losses	\$565,814
Total unlimited losses	\$979,201
Total limited/adjusted losses	\$951,140
Total actual primary losses	\$177,401
Total actual excess losses	\$773,739
Computed ballast value	114,400
Computed weighting value	0.25
Modification factor	1.10
ARAP factor	1.05

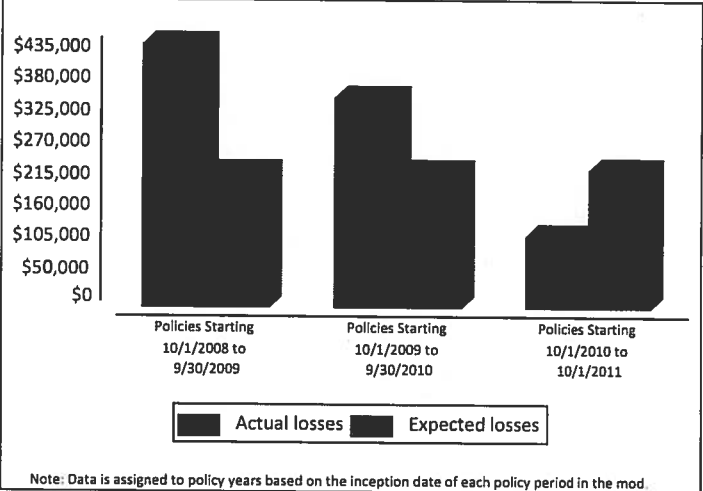
## Mod Breakdown



## Impact of Top Itemized Losses

State	Injury Date	Incurred Loss	Impact on Mod	Mod w/o Loss
IL	2/23/2011	\$260,702	0.0875	1.0075
IL	11/4/2009	\$259,736	0.0872	1.0078
IL	10/29/2009	\$100,625	0.0393	1.0557
IL	10/25/2010	\$69,989	0.0301	1.0649
IL	10/27/2011	\$52,747	0.0249	1.0701
IL	5/18/2012	\$42,214	0.0217	1.0733
IL	5/28/2010	\$23,221	0.0160	1.0790
IL	5/5/2011	\$19,810	0.0150	1.0800
IL	9/14/2009	\$19,440	0.0149	1.0801
IL	3/14/2012	\$17,761	0.0143	1.0807

## Actual vs. Expected Losses by Policy Year



## The Mod Formula

Actual primary losses	+	Ballast value	+	Weighting value	x	Actual excess losses	+	(1 - Weighting value)	x	Expected excess losses	=	Current mod
Expected primary losses	+	Ballast value	+	Weighting value	x	Expected excess losses	+	(1 - Weighting value)	x	Expected excess losses	=	
\$177,401	+	114,400	+	0.25	x	\$773,739	+	(1 - 0.25)	x	\$565,814	=	1.10
\$150,408	+	114,400	+	0.25	x	\$565,814	+	(1 - 0.25)	x	\$565,814	=	

# Specific Loss Sensitivity Detail

State	Injury Date	Incurred Loss	Limited / Adjusted Loss	Mod w/o Loss	Impact on Mod
Itemized Losses					
IL	2/23/2011	\$260,702	\$260,702	1.0075	0.0875
IL	11/4/2009	\$259,736	\$259,736	1.0078	0.0872
IL	10/29/2009	\$100,625	\$100,625	1.0557	0.0393
IL	10/25/2010	\$69,989	\$69,989	1.0649	0.0301
IL	10/27/2011	\$52,747	\$52,747	1.0701	0.0249
IL	5/18/2012	\$42,214	\$42,214	1.0733	0.0217
IL	5/28/2010	\$23,221	\$23,221	1.0790	0.0160
IL	5/5/2011	\$19,810	\$19,810	1.0800	0.0150
IL	9/14/2009	\$19,440	\$19,440	1.0801	0.0149
IL	9/28/2009	\$17,495	\$17,495	1.0807	0.0143
IL	3/14/2012	\$17,761	\$17,761	1.0807	0.0143
IL	2/18/2010	\$8,419	\$8,419	1.0849	0.0101
IL	4/10/2012	\$7,600	\$7,600	1.0859	0.0091
IL	12/3/2009	\$7,429	\$7,429	1.0861	0.0089
IL	5/21/2010	\$7,341	\$7,341	1.0862	0.0088
IL	10/15/2010	\$5,730	\$5,730	1.0881	0.0069
IL	6/1/2010	\$5,074	\$5,074	1.0889	0.0061
IL	4/13/2010	\$6,191	\$1,857	1.0928	0.0022
Grouped Losses					
IL	7/1/2010	\$17,625	\$5,288	1.0887	0.0063
IL	7/1/2009	\$5,173	\$5,173	1.0888	0.0062
IL	7/1/2010	\$4,520	\$4,520	1.0896	0.0054
IL	7/1/2011	\$4,090	\$4,090	1.0901	0.0049
IL	7/1/2009	\$10,624	\$3,187	1.0912	0.0038
IL	7/1/2011	\$5,646	\$1,694	1.0930	0.0020
Grand totals:		\$979,202	\$951,142		0.4459



# 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 <sup>(1)</sup>	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000
Administrative Cost (Annual)	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500

Deductible Level	Average Estimated Losses <sup>(2)</sup>
\$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
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(1) Member Loss Fund Deposit established at inception.

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