

Executive Summary

Excess Workers Compensation

City of Boise

2017-2018

The Excess Workers compensation for the City of Boise is set to expire October 1, 2017. The City requested quotes from the insurance marketplace for the following specifications:

Liability Period	10-1-2017 to 10-1-2018
Total Payroll	\$115,878,241(12.3% over last year's estimates)

The current Excess Workers compensation (Midwest Employers) provides insurance for claims that exceed the City's retention level of \$500,000.

Over the last 6 years, the City has maintained a retention level of \$500,000 across all work comp risk categories. Due to market pressures ranging from loss history to changing regulatory environment (presumptive illness, etc.), a great deal of pressure is being put on increased retention levels (\$750,000 to \$2mm).

Self insured retention options:

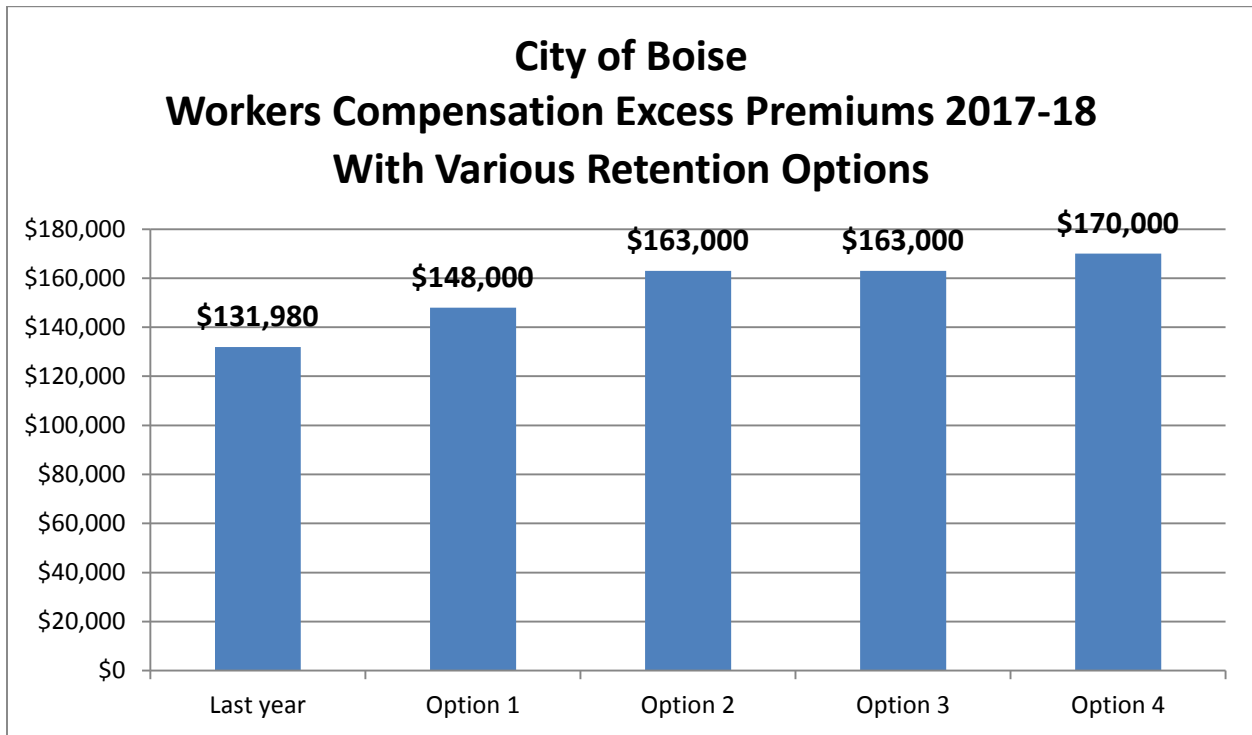
The 2017-18 retention level was quoted at different levels in order to compare rates for each of these levels.

Both Midwest Employers and Safety National offered quotes for the 2017-18 term.

Safety National was quickly discounted due to the fact that they would only offer a \$2mm retention with a rate that exceeded Midwest rates, at lower retention levels.

This year, quotes were submitted for alternative retention levels:

	All others	Police and Fire
Option 1	\$1mm	\$1mm
Option 2	\$500,000	\$1mm
Option 3	\$750,000	\$750,000
Option 4	\$500,000	\$750,000



Specific Limit Statutory
Employers Liability \$2,000,000

Marketing:

Within this market segment, there are two insurance companies that compete aggressively for excess workers compensation.

- Safety National
- Midwest Employers

Both underwriters have met with the City’s Risk Management Dept., and are familiar with the resources and capabilities of each.

These are the only “competitive” underwriters providing “excess” coverage for workers compensation self-

insureds, similar to the size of City of Boise.

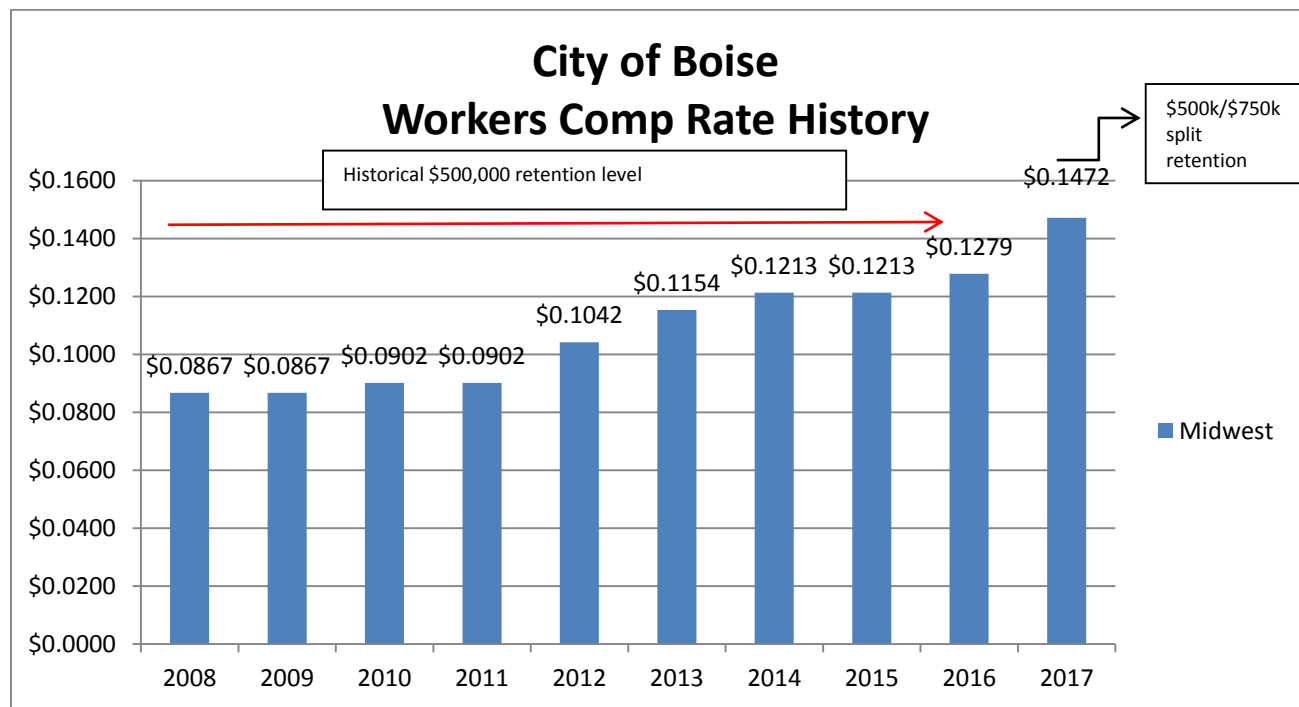
Midwest is the current underwriter and quotes were received from each underwriter.

The insurance marketplace overall has taken single digit to flat increases over prior year according to Market Scout Research. However, the City has faced 3 significant claims during last year period that are putting significant pressure upwards on this year’s pricing and retention levels. Continued upwards pressure is expected from a number of factors, most significant will be “presumptive illness” and how that will play a role for future claims.

This year, depending upon the retention level selected, resulted in a 12% to 29% increase in premiums. Although a portion of this increase is attributable to payroll increases, “net rates” have increased by 15%.

The Standard work comp retail industry is flat for public entity, however, the self-insured excess market trends higher than the retail market.

Below is a history of rates at the \$500,000 retention level and the 2017 upcoming period at \$500k/\$750k split retention.



Recommendation:

Midwest has been providing the excess insurance for the City since 2007. Safety National has been very competitive over the years, however, this year they were well above Midwest’s quotes. In addition, they would offer a \$2mm retention only.

For now, our recommendation would be to take advantage of the lower retentions that Midwest is offering. Although the “net rate” increase is 15.1%, the increased exposure to the City to pay self-insured claims that exceed \$500k/\$750k retentions will continue to rise.

There is no doubt that the City will also have to consider higher retentions in the future and budget accordingly within those retentions.

Appendix of Formal Quotes

Safety National Casualty Corporation
1832 Schuetz Road
St. Louis, MO 63146

PHONE # (314) 995-5300

FAX # (314) 995-3843

TO:	PAYNE FINANCIAL GROUP, INC.	ATTN:	Ms. Ambrosia Robison
PHONE:	(208) 424-2900	FAX:	(208) 424-2999
FROM:	Heather Thrower	DATE:	07/18/2017

EXCESS WORKERS' COMPENSATION INSURANCE QUOTATION

Name of Risk: CITY OF BOISE	
Account: 6010723	
	Specific Excess Only

Contract Terms		Option 1520414474
Liability Period		10/01/2017 - 10/01/2018
Payroll Reporting Period		10/01/2017 - 10/01/2018
Payroll		\$ 115,878,242
Manual Premium		\$ 2,557,989
Experience Modification Factor		1.000
Standard Premium		\$ 2,557,989
Self-Insured Retention		\$ 2,000,000
Specific Limit		Statutory
Employers Liability Limit	Per Occ & Agg	\$ 2,000,000 / \$ 2,000,000
Premium Rate	Rate \$100 Payroll	\$ 0.152
Deposit Premium		\$ 176,135
Minimum Premium		\$ 176,135
Commission	Net	0.00 %
Pay Plan		ANNUAL PAYMENT
Audit Type		Voluntary

*Quote expires 1 day after Payroll Reporting Period effective date for each Quote Option.



**Excess Workers Compensation
Quotation Sheet**

Insured: City of Boise
Policy #: EWC007761

Policy Effective Date: 10/01/2017
Quote Date: 07/25/2017
Quote Expiration Date: 60 Days

POLICY TERMS	QUOTE OPTIONS					
	0210391	0211075				
Named States	ID	ID				
<u>SPECIFIC:</u>						
Specific Limit	STATUTORY	STATUTORY				
Specific Retention	\$750,000	\$1,000,000				
<u>EMPLOYERS LIABILITY:</u>						
Employers Liability Limit	\$2,000,000	\$2,000,000				
Employers Liability Retention	See Specific	See Specific				
<u>AGGREGATE:</u>						
Aggregate Limit	NA	NA				
Aggregate Retention	NA	NA				
Estimated Aggregate Retention	NA	NA				
Minimum Aggregate Retention	NA	NA				
<u>RATING BASE:</u>						
Est. Annual Payroll	\$115,878,241	\$115,878,241				
Est. Annual Manual Premium	\$2,931,206	\$2,931,206				
Length of Policy (Years)	1.000000	1.000000				
Est. Policy Normal Premium	\$2,931,206	\$2,931,206				
Rate per \$100 of Payroll	.1415	.1279				
<u>PREMIUM:</u>						
Total Est Policy Prd Premium (including Flat Charges)	\$163,968	\$148,208				
Policy Minimum Premium	\$147,571	\$133,387				
Deposit Premium	\$163,968	\$148,208				
Deposit Flat Charge(s)	NA	NA				
Total Deposit Due	\$163,968	\$148,208				
Terrorism Risk Ins Act of 2002 (incl in Total Deposit Due above)	\$4,919	\$4,446				
Commission	0%	0%				



**Excess Workers Compensation
Quotation Sheet**

Insured: City of Boise
Policy #: EWC007761

Policy Effective Date: 10/01/2017
Quote Date: 07/25/2017
Quote Expiration Date: 60 Days

POLICY TERMS	QUOTE OPTIONS					
	0210390	0210392				
Named States	ID	ID				
<u>SPECIFIC:</u>						
Specific Limit	STATUTORY	STATUTORY				
Specific Retention	\$500,000	\$500,000				
Specific Retention - 7710 ID	\$750,000	\$1,000,000				
Specific Retention - 7720 ID	\$750,000	\$1,000,000				
<u>EMPLOYERS LIABILITY:</u>						
Employers Liability Limit	\$2,000,000	\$2,000,000				
Employers Liability Retention	See Specific	See Specific				
<u>AGGREGATE:</u>						
Aggregate Limit	NA	NA				
Aggregate Retention	NA	NA				
Estimated Aggregate Retention	NA	NA				
Minimum Aggregate Retention	NA	NA				
<u>RATING BASE:</u>						
Est. Annual Payroll	\$115,878,241	\$115,878,241				
Est. Annual Manual Premium	\$2,931,206	\$2,931,206				
Length of Policy (Years)	1.000000	1.000000				
Est. Policy Normal Premium	\$2,931,206	\$2,931,206				
Rate per \$100 of Payroll	.1472	.1408				
<u>PREMIUM:</u>						
Total Est Policy Prd Premium (including Flat Charges)	\$170,573	\$163,157				
Policy Minimum Premium	\$153,515	\$146,841				
Deposit Premium	\$170,573	\$163,157				
Deposit Flat Charge(s)	NA	NA				
<u>Total Deposit Due</u>	\$170,573	\$163,157				
Terrorism Risk Ins Act of 2002 (incl in Total Deposit Due above)	\$5,117	\$4,895				
Commission	0%	0%				