

# Executive Summary

## Excess Workers Compensation

### City of Boise

### 2019-2020

**The Excess Workers Compensation insurance coverage** for the city of Boise is set to expire October 1, 2019. The city requested quotes from the insurance marketplace for the following specifications:

**Liability Period**                    10-1-2019 to 10-1-2020

**Total Payroll**                    \$116,831,122 (2% decrease over last year)

The current Excess Workers Compensation insurer (Midwest Employers) provides insurance for claims that exceed the city’s retention level of \$500,000 for general employees and \$750,000 for police and fire.

**Self-insured retention options:**

The 2019-20 retention level was quoted at different levels in order to compare rates for each of these levels. There was no option for police and fire lower than \$1mm.

	All others	Police and Fire	Rate
Current	\$500,000	\$750,000	\$.1501
Option 1	\$500,000	\$1,000,000	\$.17
Option 2	\$750,000	\$1,000,000	\$.1575
Option 3	\$1,000,000	\$1,000,000	\$.1501

Last year's retention level

**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 city Risk Management and Risk Management is 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 has been so for 13 years. Renewal quotes were received by Midwest. Safety National declined to quote this year for the following reasons:

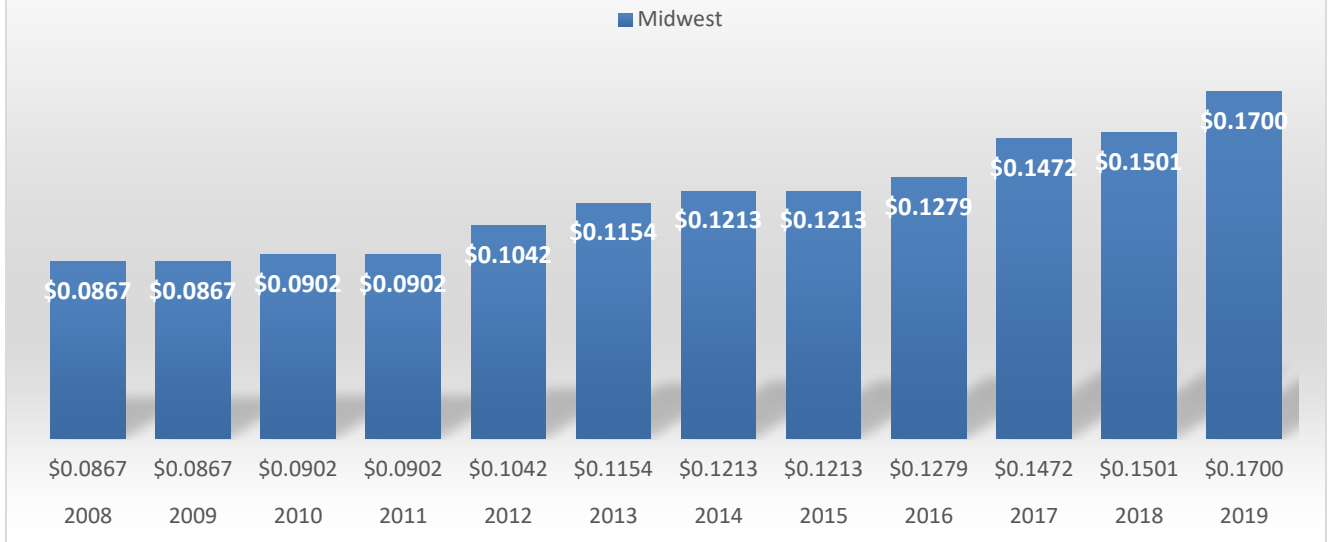
1. Safety National could not compete against the current and/or renewal pricing provided by Midwest.
2. The recent claims activity over the last two years.
3. New presumptive illness legislation for future potential claims.

The insurance marketplace overall has taken single digit to flat increases over prior year according to Market Scout Research. However, the city has faced 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 the presumptive illness legislation and how that will play a role for future claims.

The standard workers compensation retail industry is flat for public entities, 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 2019-2020 upcoming period at \$500k/\$1mm split retention.

## City of Boise Workers Comp Rate History



**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 didn't feel compelled to quote since they would not have any significant price reduction to offer.

Our recommendation would be to continue with Midwest, and change the retention levels to \$1mm for police and fire(no option) and \$500k for all other. This will allow the city to maintain similar unit cost however, taking on additional risk on retentions. If the city decides to pay a higher rate for the \$500k retention option for general employees the annualized premiums would be \$198,613 with a \$.17 rate.

Class	Retention	Rate	Estimated Premiums
Police and Fire	\$1mm	\$.17	\$198,613
All Other	\$500k		

} 2019-20  
Recommendation

Class	Retention	Rate	Estimated Premiums
Police and Fire	\$750k	\$.1501	\$179,151
All Other	\$500k		

} Last Year's Program  
2018-19

## **Appendix of Formal Quotes**



**Excess Workers Compensation  
Quotation Sheet**

Insurer: Midwest Employers Casualty Company

Policy Effective Date: 10/01/2019

Insured: City of Boise

Quote Date: 08/13/2019

Policy #: EWC007761

Quote Expiration Date: 60 Days

POLICY TERMS	QUOTE OPTIONS					
	0223317	0223276	0223305			
<b>Named States</b>	ID	ID	ID			
<b><u>SPECIFIC:</u></b>						
Specific Limit	STATUTORY	STATUTORY	STATUTORY			
Specific Retention	\$500,000	\$750,000	\$1,000,000			
Specific Retention - 7710 ID	\$1,000,000	\$1,000,000	NA			
Specific Retention - 7720 ID	\$1,000,000	\$1,000,000	NA			
<b><u>EMPLOYERS LIABILITY:</u></b>						
Employers Liability Limit	\$2,000,000	\$2,000,000	\$2,000,000			
Employers Liability Retention	See Specific	See Specific	See Specific			
<b><u>AGGREGATE:</u></b>						
Aggregate Limit	NA	NA	NA			
Aggregate Retention	NA	NA	NA			
Estimated Aggregate Retention	NA	NA	NA			
Minimum Aggregate Retention	NA	NA	NA			
<b><u>RATING BASE:</u></b>						
Est. Annual Payroll	\$116,831,122	\$116,831,122	\$116,831,122			
Est. Annual Manual Premium	\$2,661,197	\$2,661,197	\$2,661,197			
Length of Policy (Years)	1.000000	1.000000	1.000000			
Est. Policy Normal Premium	\$2,661,197	\$2,661,197	\$2,661,197			
Rate per \$100 of Payroll	.17	.1575	.1501			
<b><u>PREMIUM:</u></b>						
Total Est Policy Prd Premium (including Flat Charges)	\$198,613	\$184,009	\$175,364			
Policy Minimum Premium	\$178,752	\$165,608	\$157,827			
Deposit Premium	\$198,613	\$184,009	\$175,364			
Deposit Flat Charge(s)	NA	NA	NA			
<b>Total Deposit Due</b>	<b>\$198,613</b>	<b>\$184,009</b>	<b>\$175,364</b>			
Terrorism Risk Ins Act of 2002 (incl in Total Deposit Due above)	\$5,958	\$5,520	\$5,261			
Commission	0%	0%	0%			

**CONDITIONS / COMMENTS:**

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