



Gallagher

Insurance | Risk Management | Consulting

City of Avondale, AZ

Self Insured Workers' Compensation Program

DECEMBER 4, 2017

Background

- ▶ Based on review of the City's historical losses over the last 12 year period, we believe the City could benefit by being self-insured.
- ▶ Deductible options with the AMRRP were evaluated and proved not to be cost effective. The highest deductible option available is \$25,000 per occurrence with a \$250,000 aggregate.
- ▶ Large loss activity in the years 2013 and 2014 skewed results. If the large loss activity continues as the "new normal", consideration should be given to the AMRRP.

Benefits of Self-Insurance

- ▶ In a good year, the City keeps the funds in lieu of paying a large contribution to the pool.
- ▶ Time value of money, claims payouts
- ▶ Better control of claims handling; TPA claims advocacy resources
- ▶ Employee focused results, i.e. return to work, compassionate, adopting a robust safety culture
- ▶ Clean financial transition from AMRRP

WC Self-insured Cost Comparison

Payroll, Premiums, Factors, Fees, Surcharges	2017-2018 AMRRP	2017-2018 MWECC-\$500,000 SIR Specific and Aggregate
AM Best Carrier Rating	Not Rated	A+ XV
SIR	\$5,000 per claim \$25,000 annual aggregate	\$500,000 SIR \$1,450,058 Aggregate
Estimated Annual Payroll	\$37,557,432	\$37,557,432
Rate per \$100 of Payroll	N/A	0.48
Excess WC Premium	\$1,009,655	\$180,952
Excess WC Aggregate Premium		\$5,961
Estimated Total Premium	\$1,009,655	\$186,913
<i>Estimated Losses Selected Pick</i>	\$25,000	\$464,000
Self-Insurers Bond (Estimated Limit \$1,104,385)	N/A	\$12,000
Broker Compensation	N/A	Included in Premium
Risk Control Services (includes claim review and loss control)	Included in Pool	Included in Broker Fee
Actuarial Services	N/A	\$2,500
Third Party Claims Administration	Included	\$25,000
Payroll Tax for Self-Insureds	N/A	Rates for 2017/2018 Not Established
Experience Modification	1.26	1.26
ESTIMATED TOTAL COST OF RISK	\$1,034,655	\$690,413

Progress to Date

▶ **Progress**

- ▶ Program Analysis and Cost Comparison
- ▶ Received pricing for:
 - ▶ Excess Workers' Compensation Insurance Coverage
 - ▶ Claims Administration (Third Party Administrator)

Next Steps

Action Item	Target Date
Approval from City Council	December 2017
File Self Insurance application with Industrial Commission of Arizona	January 2018
Select Third Party Administrator (TPA) and Actuary	January 2018
Approval from Industrial Commission	March 2018
Execute Contract with TPA effective July 1, 2018	March 2018
Refresh quotes for Excess Workers' Compensation coverage and bind coverage effective July 1, 2018	May 2018
Issuance of Self Insurers Workers' Compensation Bond	July 1, 2018