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Date: November 2, 2012

### AGENDA ITEM 3c – ACTION REQUIRED

**TO: MEMBERS, BOARD OF DIRECTORS**

- I. SUBJECT:** CONSENT CALENDAR: Authorization to secure a renewal workers' compensation program effective January 1, 2013
- II. PROGRAM:** RISK MANAGEMENT
- III. RECOMMENDATION:** That the President/CEO be authorized to secure a workers' compensation program effective January 1, 2013 at terms most favorable to State Fund

**IV. ANALYSIS:**

State Fund's current program, effective January 1, 2012, with respect to workers' compensation liability for its employees contains three elements: a funded self-insured retention of \$2,000,000 (per accident or illness); a specific excess policy with statutory limits attaching at \$2,000,000; and a third party claim administration agreement. The performance to date of this program has been evaluated and found to be cost effective and appropriate for State Fund's risk and risk appetite, and is thus expected to be continued in 2013. Both the excess policy and claims service agreement expire on January 1, 2013 and Risk Management recommends that the President/CEO be authorized to secure a renewal package for 2013 at terms most favorable to State Fund.

**V. RESULTS/COSTS:**

The insurance policy renewals fulfill a prime Risk Management responsibility. The following details State Fund's current workers' compensation insurance program for its own employees:

**Self-Insured Retention:** State Fund retains the first \$2 Million of liability for any occupational accident or illness.

**Excess Insurance:** The Excess Workers' Compensation policy is with The Hartford and covers losses in excess of \$2 Million, up to statutory limits, for any occupational accident or illness. The expiring policy has an estimated annual premium of \$392,624. It is anticipated that the renewal will likely reflect a premium increase of 7-9%.

**Claim Service Agreement:** State Fund has contracted with The Hartford to provide claims administration services. Under the current agreement, there is a \$50 case make up charge and fees are generated at a rate of 8.7% of paid losses, including loss adjustment expenses. Losses are capped at \$250,000 for a maximum fee of \$21,750 per claim.

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RANDY HOGAN, Risk Manager