

2015 INSURANCE PROPOSAL

HYLANT

City of Ann Arbor

Excess Workers' Compensation

► PRESENTED BY:



DAVID HARLOCK

Client Executive

KIMBERLY CASSEY

Client Service Executive

MAY 15, 2015

EXECUTIVE SUMMARY

The City of Ann Arbor has partnered with the Accident Fund for Excess Workers' Compensation (WC) coverage for a number of years. As previously mentioned, the Accident Fund has decided to exit this industry segment in October 2015 so this will be the last renewal offered by them. As a result, a new Excess Workers' Compensation carrier will need to be selected next year, if not sooner.

As discussed and agreed upon at our renewal strategy meeting in March, a marketing effort was conducted again this year in order to look for a new insurance company partner. To that end, the following insurance companies were approached for quotes: Accident Fund (incumbent), Safety National, Midwest Employers, New York Marine & General, US Specialty (State National), Travelers, AIG, ACE and Arch. The results of our efforts are outlined below.

Accident Fund

The cost of the Accident Fund's 2015-16 Excess WC renewal program is \$70,260 (a 6.23% increase from the expiring premium - \$66,142 in 2014-15) and the self-insured retention remained at \$500,000. The projected payroll also increased from \$51,033,935 to \$54,593,991 (7%). The Accident Fund is exiting the Excess WC segment so this will be the last renewal offered by them.

Midwest Employers

Midwest Employers has offered a very competitive option this year. The cost of their 2015-16 Excess WC program is \$65,227 (a 1.3% reduction from expiring premium). The self-insured retention is \$500,000 and they are willing to offer a 2 year program (rate guarantee). Midwest also offered a \$600,000 SIR option. The cost of this option is \$55,064 (\$10,136 less than the \$500,000 SIR option). Furthermore, Midwest Employers is a dominant "player" in the Excess marketplace. They have a 10% market share on the national level and are one of the leading WC markets in the state of Michigan. They are a financially strong company, as evidenced by their "A+" (Superior) rating by A.M. Best and have experience and longevity in the Excess WC market.

Safety National

Safety National is a major presence in the Excess WC market. Unfortunately, they were not able to offer a competitive option to the City of Ann Arbor. The cost of Safety National's 2015-16 Excess WC program is \$99,414 (a 50.3% increase from the expiring premium). Safety National has been in the Excess WC business continuously since 1942. They underwrite more than 31% of the Excess WC programs on a national level and have a significant presence within the government entity space (35% of their book of business). Much like Midwest Employers, they are a financially strong insurance company as evidenced by their "A+" (Superior) rating by A.M. Best.

Hylant Group Disclaimer / Confidentiality Statement: The information and concepts provided throughout this document are not intended to express any legal opinion as to the nature of coverage. They are intended to provide a basic understanding of coverages but do not alter any policy conditions. Always refer to your policy(s) for specific coverages, limitations, and restrictions. Any information and concepts outlined are solely for your internal evaluation. No other use or distribution of these documents is permitted or authorized. All Hylant Group documents are subject to our record retention policy. Please refer to our website at www.hylant.com for a complete listing of all document types and retention periods for any documents stored within the Hylant Group organization.

EXECUTIVE SUMMARY

Midlands / New York Marine & General

While New York Marine & General did not offer a formal quote, they did provide a premium indication. The cost of their indication is \$120,000 with a \$500,000 / \$750,000 retention (\$750,000 for fire and police).

Travelers, AIG, ACE, Arch, US Specialty (State National)

The options provided by these insurance companies were not competitive. In some instances, the insurance company could only offer higher SIR's (\$750,000 or \$1,000,000) and in other instances they could not write mono-line excess workers' compensation (needed additional lines of coverage).

Upon reviewing the abovementioned options, it became apparent that Midwest Employers has offered a very compelling excess workers' compensation program this year. Furthermore, they are the only insurance company who was willing to provide a 2 year program. Thus, we recommend that the City of Ann Arbor strongly consider shifting the excess WC program from the Accident Fund to Midwest Employers. By doing so, a small cost savings will be achieved and the City will be partnering with an insurance company who has a wealth of experience and market share within this industry segment.

Sincerely,

David Harlock

Hylant Group Disclaimer / Confidentiality Statement: The information and concepts provided throughout this document are not intended to express any legal opinion as to the nature of coverage. They are intended to provide a basic understanding of coverages but do not alter any policy conditions. Always refer to your policy(s) for specific coverages, limitations, and restrictions. Any information and concepts outlined are solely for your internal evaluation. No other use or distribution of these documents is permitted or authorized. All Hylant Group documents are subject to our record retention policy. Please refer to our website at www.hylant.com for a complete listing of all document types and retention periods for any documents stored within the Hylant Group organization.

PREMIUM SUMMARY

City of Ann Arbor

Excess Workers' Compensation & Employers Liability
Renewal Quote Options Effective: July 1, 2016

As of 5/4/2015

Carrier	July 1, 2014 -15 Accident Fund - Existing	July 1, 2015 -16 Accident Fund - Renewal	July 1, 2015 -16 Option: Safety National	July 1, 2015 -16 Option: Midwest Employers
AM Best Rating	A- X	A- X	A+ XIII	A+ XV
Program	Specific & Aggregate	Specific & Aggregate	Specific & Aggregate	Specific & Aggregate
Limits	Statutory \$1,000,000 Limit excess of SIR	Statutory \$1,000,000 Limit excess of SIR	Statutory \$1,000,000 Limit excess of SIR	Statutory \$1,000,000 Limit excess of SIR
Workers' Compensation	\$244,000	\$272,000.00	\$272,000	\$272,000
Employers Liability	\$54,563,661	\$55,230,077	\$55,230,077	\$55,230,077
Covered State	MI	MI	MI	MI
Manual / Standard Premium - Annual	\$2,151,152	\$2,464,166	\$1,744,562	\$1,238,544
Self Insured Retention				
Specific Retention:	\$500,000	\$500,000	\$500,000	\$500,000
Aggregate Retention - Subject to Audit	\$1,600,000	\$1,600,000	\$1,373,476	\$1,587,566
Aggregate % of Manual Premium	Flat	Flat	123.0%	126.2%
Aggregate Rate per \$100 of Payroll	Flat	Flat	Flat	Flat
Aggregate Limit over Agg Retention	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000
Premium Rate per \$100 of Payroll	\$0.12120	\$0.12730	\$0.16002	\$0.11810
Deposit Premium - Subject to Audit	\$66,142	\$70,280	\$98,414	\$68,227
Minimum Premium	\$65,000	\$70,000	\$86,482	\$58,704
TRIA (Incl. in Deposit Premium)	Included	Included	Included	Included
TPA / Claim Handling Services	CompOne Administrators	CompOne Administrators	CompOne Administrators	CompOne Administrators
Service Fee Rate per % Standard Premium	1.253%	N/A	N/A	N/A
Service Fee Rate per % Payroll	N/A	5.425%	5.425%	5.425%
Service Fee subject to Audit - Annual	\$28,000	\$29,860	\$29,860	\$29,860
Minimum Service Fee	\$26,600	\$28,462	\$28,462	\$28,462
TOTAL FIXED COSTS (Premiums & TPA Fees Only)	\$94,142	\$100,220	\$129,374	\$85,187
TOTAL FIXED & VARIABLE COST (Premium, TPA Fees, Losses)	\$338,142	\$372,220	\$401,374	\$367,187
Coverage Form	WCXSRReimbPol ed 1108	WCXSRReimbPol ed 1108	AGCWC 0608 C1	EWCISI 2013
Notable Endorsements / Terms	Voluntary Comp Endt Foreign Cover Endt incl Repatriation/Endemic Disease Comm Disease - per employee Late Reporting Penalty Removed Commutation Clause Removed MI Required Endts 60 Days Notice of Cancel Unintentional E&O endt Punitive / Exemp Dmgs Exclusion No Blanket Waiver of Subro. No Aircraft Exclusion	Voluntary Comp Endt Foreign Cover Endt incl Repatriation/Endemic Disease Comm Disease - per employee Late Reporting Penalty Removed Commutation Clause Removed MI Required Endts 60 Days Notice of Cancel Unintentional E&O endt Punitive / Exemp Dmgs Exclusion No Blanket Waiver of Subro. No Aircraft Exclusion	Voluntary Comp Endt Foreign Vol Comp Endt incl Repatriation expense TBD No Late Reporting Penalty No Commutation Clause MI Required Endt 90 Days Notice Cancellation No Unintentional E&O Endt Punitive / Exemp Dmgs Exclusion Blanket Waiver of Subro. No Aircraft Exclusion	Voluntary Comp Endt Foreign Cover Endt incl Repatriation/Endemic Disease Comm Disease - per disease No Late Reporting Penalty No Commutation Clause MI Required Endts 60 Days Notice of Cancel No Unintentional E&O Endt Punitive / Exemp Dmgs Exclusion No Blanket Waiver of Subro. Aircraft Exclusion

Note: Quotes are contingent upon the City continuing self-insured status/approval with the State of Michigan

Note: This is an overview only. Refer to policies for exact factors, terms and conditions.

Note: The 2012 program was not bound by Hylant and date is for informational purposes only.

Note: Premium is due in full to carrier within 30 days.

Note: See other pricing options from CompOne - our claim fee vs flat fee

Note: Accident Fund insurance quote is for a 1 year term. CompOne's renewal quote is for a 3 year term.

Note: Midland & NY Marine & General provided premium indication of \$120,000 for \$500k / \$750k SIR.

Note: Above premiums and fees do not include any taxes or fees to be billed directly by the State of Michigan.

Note: Midwest's quote is subject to a signed application.

Hylant Group Disclaimer / Confidentiality Statement: The information and concepts provided throughout this document are not intended to express any legal opinion as to the nature of coverage. They are intended to provide a basic understanding of coverages but do not alter any policy conditions. Always refer to your policy(s) for specific coverages, limitations, and restrictions. Any information and concepts outlined are solely for your internal evaluation. No other use or distribution of these documents is permitted or authorized. All Hylant Group documents are subject to our record retention policy. Please refer to our website at www.hylant.com for a complete listing of all document types and retention periods for any documents stored within the Hylant Group organization.