

Henderson County Schools

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To: Dr. Thomas L. Richey, Superintendent
and School Board Members

cc: Bruce Swanson, Human Resources
Linda Estes, Finance
Cindy Cloutier

From: Walt Spencer, Assistant Superintendent of Finance

Date: January 13, 2011

Subject: 2011 Workmen's Compensation Bid

We received bids from two insurance companies for our 2011 Workmen's Compensation Insurance. Our current insurance provider, FFVA, has decided to discontinue offering workmen's compensation insurance in the state of Kentucky for school districts effective January 1, 2011. You will find attached a bid comparison for a bid received from EM Ford using Kentucky Employers Mutual Insurance (KEMI) and a bid from Latta Insurance using Bridgefield Casualty. The lowest priced bid was from EM Ford using KEMI as the provider at an annual premium of \$243,872.22. This bid was **\$27,065.87 lower** than the \$270,938.09 bid received from Latta Insurance. However, this bid is **\$63,781.22 higher than our 2010 premium with FFVA**. Although FFVA had provided notification that they did not intend to continue coverage in 2011, we were continuing discussions with them in hopes they would at least extend our coverage until the end of our fiscal year at June 30, 2011. Based on our previous year's bid we were fairly certain that all other providers would have higher premiums than FFVA. KEMI has an AM Best rating of A- Excellent, which means they should be a financially solid insurance company. AM Best is a national independent rating service that rates the financial strength of insurance companies. We did check references for KEMI insurance and received favorable responses. KEMI has offered a 10 month payment option with no interest and no fees. Based on these quotes I have made the minimum payment allowed to bind coverage effective January 1, 2011 pending school board approval. The attached spreadsheet has the 2010 Calendar Year (CY) premiums in the first (gray) column, The second column (yellow background) has the 2011 CY bid from EM Ford using KEMI, which is the bid recommended for approval. The third column (Blue background) shows the details of the Latta Insurance bid using Bridgefield Casualty. The

fourth column (Gold background) shows the differences between EM Ford's bid and the bid from Latta Insurance which totals \$27,065.87 with EM Ford having the lowest premiums bid. The last column (with a Red background) shows the \$63,781.22 increase in 2011 CY as compared to the 2010CY premiums with EM Ford and FFVA. This large difference is why we were hoping to convince FFVA to retain our coverage for 2011, or for at least 6 months to the end of our fiscal year. In the end they advised us they could not extend our policy beyond January 1, 2011. We contemplated renewing our policy with EM Ford agency allowing them to use a different insurance provider but determined it would be best to receive other bids to ensure we were getting our most favorable rate. We have reinitiated our safety meetings in an attempt to improve our employee safety and reduce our Experience Mod factor. Several years ago we had a mod factor in the .72 range which meant we received a 28% discount on our workmen's compensation insurance. This Experience Mod factor has now increased to .92, which means we only receive an 8% reduction from published rate schedules. This change in Experience Mod factors accounts for approximately \$57,000 of the rate increase. We will focus on improving employee safety to first prevent employees from becoming injured which should also lead to future lower workmen's compensation insurance premiums. We recommend that the school board approve the bid from EM FORD / KEMI in the amount of \$243,872.22 on the basis of lowest price bid.

We will review alternatives and will be changing our bid process for Workmen's Compensation Insurance for future years.

A always, please do not hesitate to call if you have any questions.

Attachment: 2011 Workmen's Compensation Insurance Comparisons

Henderson County Schools 2011 Workmen's Compensation Insurance Comparisons

Fiscal Year >>		2010 CY	2011 CY	2011 CY	2011 CY	2011 vs 2010
		Actual - Based on Bid Payroll	BID	BID	BID	2011 CY Bid vs 2010 CY Bid
Insurance Agent		EM Ford	EM Ford	Latta Insurance	EM Ford vs Latta	EM Ford
Insurance Provider		FFVA	KEMI	Bridgefield Casualty	KEMI vs Bridgefield	KEMI-2011 vs FFVA-2010
Legend					KEMI better / (worse)	KEMI better / (worse)
Drivers & Helpers	Payroll	\$1,559,140	\$1,551,624	\$1,551,624	\$0	\$7,516
	Rate	5.55	4.87	5.38	0.51	0.68
	Premium	\$86,532.00	\$75,564.00	\$83,477.37	\$7,913.37	\$10,968.00
Professional	Payroll	\$35,051,714	\$37,481,793	\$37,481,793	\$0	(\$2,430,079)
	Rate	0.35	0.30	0.36	0.06	0.05
	Premium	\$122,681.00	\$112,445.00	\$134,934.45	\$22,489.45	\$10,236.00
All Other	Payroll	\$3,474,640	\$3,535,070	\$3,535,070	\$0	(\$60,430)
	Rate	2.82	2.5	3.12	0.62	0.32
	Premium	\$97,985.00	\$88,377.00	\$110,294.18	\$21,917.18	\$9,608.00
* Subtotal Base *		\$307,198.00	\$276,386.00	\$328,706.00	\$52,320.00	\$30,812.00
Increased Limits		\$8,600.00	\$11,055.00	\$9,203.77	(\$1,851.23)	(\$2,455.00)
* Subtotal *		\$315,798.00	\$287,441.00	\$337,909.77	(\$50,468.77)	\$28,357.00
Experience Mod Factor		1.00	0.92	0.92		0.08
Experience Mod		-	(22,995.00)	(\$27,032.78)	(\$4,037.78)	22,995.00
Schedule Credit		(\$119,984.00)	(\$5,289.00)	(\$21,761.39)	(\$16,472.39)	(114,695.00)
Premium Discount		(\$20,427.00)	(\$30,409.00)	(\$43,367.34)	(\$12,958.34)	9,982.00
* Subtotal Calculated Premium *		\$175,387.00	\$228,748.00	\$245,748.26	\$17,000.26	(53,361.00)
Expense Constant		\$200.00	\$240.00	\$140.00	(\$100.00)	(40.00)
Terrorism Risk		\$9,300.00	incl.	\$4,256.85	\$4,256.85	\$9,300.00
Catastrophe Charge		incl.	incl.	\$4,256.85	\$4,256.85	
* Subtotal *		\$184,887.00	\$228,988.00	\$254,401.96	\$25,413.96	(\$44,101.00)
KY Special Fund		6%	6.50%	6.50%		
		\$10,991.00	\$14,884.22	\$16,536.13	\$1,651.91	(\$3,893.22)
ug Free Workplace Credit		(\$15,787.00)	\$0.00	\$0.00	\$0.00	(\$15,787.00)
Total Annual Premium		\$180,091.00	\$243,872.22	\$270,938.09	\$27,065.87	(\$63,781.22)

CY = Calendar Year