

**ORANGE COUNTY  
BOARD OF EDUCATION**

**AGENDA ITEM ABSTRACT**

**Meeting Date:** August 13, 2012

**AGENDA ITEM No.** 12-08-08

**ACTION ITEM: (Y/N)** Y

**SUBJECT:** Worker's Compensation Approval 2012-13

**INFO. CONTACT:** Donna Brinkley **PHONE:** 919-732-8126

**ATTACHMENTS:**

- 1) The Hartford Insurance Program Summary
- 2) The Hartford's Renewal Premium Comparison for 2012 and 2011
- 3) Orange County Schools Loss Development Summary
- 4) North Carolina School Boards Trust – Proposal for Coverage

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**PURPOSE:** To approve The Moore and Johnson Agency in partnership with The Hartford to provide Orange County Schools with workers' compensation insurance coverage for locally and federally paid OCS employees for 2012-2013.

**BACKGROUND:** The Moore and Johnson Agency has been Orange County Schools' agent since 2005. Each year they provide loss control advice, risk management support, training on system administration and cost containment strategies. Again this year they have provided a program in partnership with The Hartford.

Other companies that traditionally provide quotes include AmTrust, Utica, Key Risk and Johnson & Johnson, Inc. All of these companies declined to quote due to 1) they could not compete with The Hartford quote and 2) OCS's loss experience. The Hartford quote is the only quote Moore & Johnson was able to obtain.

Orange County School's finance staff submitted data to the North Carolina School Boards Trust – Worker's Compensation Plan. The North Carolina School Boards Trust's estimated proposal was \$183,397. This proposal was \$862 higher than The Hartford, OCS's current provider. Their quote is attached.

**FINANCIAL IMPACT:** The cost of providing workers' compensation insurance is \$182,535.

**RECOMMENDATION:** The Superintendent recommends the Board of Education approve The Moore and Johnson Agency in partnership with The Hartford to provide Orange County Schools with workers' compensation insurance coverage for locally and federally paid employees for 2012-2013.

# INSURANCE PROGRAM SUMMARY

## Orange County Schools

Effective Date: 7/1/2012

Coverage	Premium
WC	\$182,535.00
<b>Total Account Premium</b>	<b>\$182,535.00</b>
WC commission applies to standard premium before any discount.	

Premium may include surcharges, taxes, and assessments.

Commission percentages shown are for base commission only and do not include any applicable supplemental commission or other forms of compensation. The premiums identified above may contain surcharges and/or assessments to which the commission percentages shown above may not apply. Workers compensation commission percentage applies to the standard premium before application of any premium discount. Commission does not apply to retrospective premium adjustments.

### PAYMENT PLAN

Direct Bill

Billing Plans	Down Payment	Installments
Full Pay	100%	
Two Pay	60%	40%
Three Pay	40%	2 @ 30%
Four Pay	30%	2 @25% and 1 @ 20%
Ten Pay	25%	9 @ 8.33%



## TERMS & CONDITIONS

- ◆ If this quote proposal contains identical coverages, limits and deductibles to a previously issued quote proposal, this quote proposal will replace the previously issued quote proposal.
- ◆ The quote is valid for 60 days from the date of the proposal or until the proposed policy inception date, whichever is earlier. Coverage may not be bound retroactively.
- ◆ This proposal provides a summary of coverages. For a complete description of coverages and all terms and conditions, please refer to The Hartford's policy forms, which are available upon request or online on the Electronic Business Center (EBC). In the event of a conflict, the actual terms, conditions, limitations and exclusions of the policy shall prevail. Insurance specifications and other requests for coverage that are not incorporated in this proposal, confer no rights and do not amend, extend or alter the coverage afforded by The Hartford.
- ◆ Whether or not this quote is for more than one line of insurance, it must be accepted or rejected by the recipient in its entirety. Please contact the underwriter in the event that only a portion of the quotation is desired.
- ◆ This proposal is subject to the cancellation provisions applicable to each policy.
- ◆ Prior to the effective date of coverage, The Hartford must be advised of any change in the information provided by, or required to be provided by, the applicant, or any change in the exposure basis, hazard or risk contemplated by this proposal since the original submission date. The Hartford reserves the right to modify or withdraw this proposal in the event of any of the above.
- ◆ All of the terms, conditions, and other requirements set forth in this proposal must be included in any quote presentation to the proposed insured.



## **ADDITIONAL ENDORSEMENTS/EXCLUSIONS/LIMITATIONS**

While an effort has been made to keep *expiring* terms and conditions, we must inform you of the following additional changes/modifications that are included as part of our *renewal* proposal:

**All Endorsements and Exclusions Continue per Expiring.**

### **RENEWAL QUOTE IS SUBJECT TO:**

**Unless otherwise stated below, coverage may be bound. However, we require compliance to these "Subject To" requirements within 30 days of policy inception, unless otherwise specified, to avoid cancellation of the policy.**

Note to Underwriter: If there is a Subject To requirement that must be satisfied prior to binding, the following wording must be applied to that specific issue: Coverage may not be bound without this item being received/completed and approved by the underwriter.

#### **General**

- Favorable Loss Control Inspection semi-annual.
- Acceptable implementation of Loss Control recommendation.
- Details on Large Losses over \$25,000. We received updated details on James Winklers.

#### **Workers Compensation**



## ADDITIONAL COMMENTS OR CLARIFICATIONS

## INSURANCE PROGRAM PREMIUM

## WORKERS COMPENSATION

Compulsory Coverage & Employers' Liability	Premium
Employers Liability \$1,000,000/\$1,000,000/\$1,000,000	
Total Class Premium	\$172,952.00
Increased Limits Part Two	\$4,843.00
Experience Modification (1.05)	\$8,890.00
Premium Discount (4.1%)	\$-7,654.00
Catastrophe (9741)	\$1,627.00
Terrorism (9740)	\$1,627.00
Expense Constant	\$250.00
Total Estimated State Surcharge	\$0.00
Total Workers' Compensation Premium	\$182,535.00

## WORKERS COMPENSATION – PAYROLL BREAKDOWN

Payroll \$16,268,781

# TERRORISM

## DISCLOSURE PURSUANT TO TERRORISM RISK INSURANCE ACT

### Terrorism Coverage and Premium

In accordance with the federal Terrorism Risk Insurance Act (as amended "TRIA"), we are required to make coverage available under your policy for "certified acts of terrorism." The actual coverage provided by your policy(ies) will be limited by the terms, conditions, exclusions, limits, and other provisions of your policy(ies), as well as any applicable rules of law.

The portion of your premium attributable to this terrorism coverage is shown in the premium section(s) of this quote proposal or binder.

### Definition of Certified Act of Terrorism

A "certified act of terrorism" means an act that is certified by the Secretary of the Treasury, in concurrence with the Secretary of State and the Attorney General of the United States, to be an act of terrorism under TRIA. The criteria contained in TRIA for a "certified act of terrorism" include the following:

1. The act results in insured losses in excess of \$5 million in the aggregate, attributable to all types of insurance subject to TRIA; and
2. The act results in damage within the United States, or outside the United States in the case of certain air carriers or vessels or the premises of an United States mission; and
3. The act is a violent act or an act that is dangerous to human life, property or infrastructure and is committed by an individual or individuals acting as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.

### Disclosure of Federal Share of Terrorism Losses

The United States Department of the Treasury will reimburse insurers for 85% of that portion of insured losses attributable to certified acts of terrorism that exceeds the applicable insurer deductible. However, if aggregate industry insured losses under TRIA exceed \$100 Billion in a Program Year (January 1 through December 31), the Treasury shall not make any payment for any portion of the amount of such losses that exceeds \$100 billion. The United States government has not charged any premium for their participation in covering terrorism losses.

### Cap on Insurer Liability for Terrorism Losses

If aggregate industry insured losses attributable to "certified acts of terrorism" under TRIA exceed \$100 Billion in a Program Year (January 1 through December 31), and we have met, or will meet, our insurer deductible under TRIA, we shall not be liable for the payment of any portion of the amount of such losses that exceed \$100 billion. In such case, your coverage for terrorism losses may be reduced on a pro-rata basis in accordance with procedures established by the Treasury, based on its estimates of aggregate industry losses and our estimate that we will exceed our insurer deductible. In accordance with the Treasury's procedures, amounts paid for losses may be subject to further adjustments based on differences between actual losses and estimates.

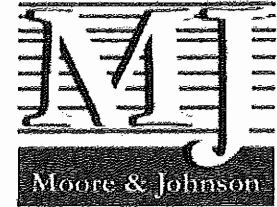
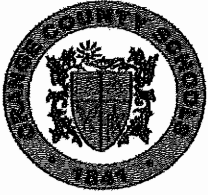
Note to Producer on TRIA: The premium for terrorism coverage and the TRIA disclosures above must be provided to the insured or prospect at the time of quoting. If you are not using this quote proposal, you can use Hartford's stand-alone TRIA disclosure form for quotes and binders, which is available on EBC or from the company.





## Orange County Public Schools Renewal Premium Comparison for 2012 and 2011

Class Code	Description	2012 Estimated Payroll	Rate	Hartford 2012 Premium	2011 Original Estimated Payroll	Rate	Original Hartford 2011 Premium	2011 Revised Estimated Payroll	Rate	Revised Hartford 2011 Premium
7380	Drivers	\$189,635	\$6.19	\$ 11,738	\$161,380	\$5.57	\$8,989	\$215,362	\$5.57	\$11,996
8868	Schools: Professional	\$14,414,896	\$0.60	\$ 86,489	\$12,501,381	\$0.54	\$67,507	\$17,330,183	\$0.54	\$93,583
9101	Schools: All Others	\$1,664,250	\$4.49	\$ 74,725	\$3,134,226	\$4.04	\$126,623	\$1,653,389	\$4.04	\$66,797
	Manual Premium			\$ 172,953			\$203,119			\$172,376
	Increased limits	1mil/1mil/1mil	0.028	\$ 4,843	1mil/1mil/1mil	0.028	\$5,687	1mil/1mil/1mil	0.03299	\$5,687
	Subject Premium			\$ 177,795			\$208,806			\$178,062
	NC Experience Mod		1.05	\$ 186,685		1.07	\$223,423		1.01	\$179,843
	Scheduled Credit		0.000	\$ 0		0.14	(\$31,279)		0.14	(\$25,178)
	Premium Discount		0.041	(\$7,654)		0.041	(\$9,160)		0.04	(\$6,031)
	Standard Premium			\$ 179,031			\$182,983			\$148,634
	Expense Constant			\$ 250			\$250			\$250
	Foreign Terrorism	\$16,268,781	0.010	\$ 1,627	\$15,796,987	0.010	\$ 1,580	\$19,198,934	0.010	\$ 1,920
	Domestic Terrorism	\$16,268,781	0.010	\$ 1,627	\$15,796,987	0.010	\$ 1,580	\$19,198,934	0.010	\$ 1,920
	<b>Premium</b>			<b>\$ 182,535</b>			<b>\$186,393</b>			<b>\$152,724</b>



## OrangeCounty Schools Loss Development

### Totalled Incurred Losses

Total Inc	2010-2011	2011-2012	Change
2011-2012	\$0	\$194,363	
2010-2011	\$4,481	\$63,977	1328%
2009-2010	\$97,173	\$105,519	9%
2008-2009	\$171,151	\$138,852	-19%
2007-2008	\$10,937	\$10,937	0%
<b>Total</b>	<b>\$283,742.01</b>	<b>\$513,647</b>	<b>81%</b>

### Loss Ratio Summary 2011

	Paid Losses	Reserve Losses	Total Incurred	Written Premium	Loss Ratio
2010-2011	\$1,290	\$3,191	\$4,481	\$160,612	3%
2009-2010	\$89,789	\$7,384	\$97,173	\$143,957	68%
2008-2009	\$109,373	\$61,778	\$171,151	\$154,417	111%
2007-2008	\$10,937	\$0	\$10,937	\$154,417	7%
<b>Total</b>	<b>\$211,389</b>	<b>\$72,353</b>	<b>\$283,742</b>	<b>\$613,403</b>	<b>46%</b>

### Loss Ratio Summary 2012

	Paid Losses	Reserve Losses	Total Incurred	Written Premium	Loss Ratio
2011-2012	\$11,698	\$52,279	\$194,363	\$152,724	127%
2010-2011	\$50,812	\$142,509	\$63,977	\$160,612	40%
2009-2010	\$100,853	\$4,666	\$105,519	\$143,957	73%
2008-2009	\$88,450	\$50,401	\$138,852	\$154,417	90%
2007-2008	\$10,937	\$0	\$10,937	\$154,417	7%
<b>Total</b>	<b>\$262,750</b>	<b>\$249,855</b>	<b>\$513,647</b>	<b>\$766,127</b>	<b>67%</b>





**WORKERS' COMPENSATION FUND**

**Proposal For Coverage  
Coverage Period: 07/01/2012 - 07/01/2013**

**Entity:**

Orange County Schools  
200 E King Street  
Hillsborough, NC 27278

Classification of Operations	Manual Rate (Per \$100)	Estimated Payroll	Estimated Manual Fund Contribution
8868 Professional	0.58	14,414,896	83,606
9101 All Other Employees	4.35	1,664,250	72,395
<b>Totals:</b>		<b>16,079,146</b>	<b>156,001</b>

For information regarding this coverage proposal contact Donna Lynch at 919-747-6685 or [dlynch@ncsba.org](mailto:dlynch@ncsba.org)

\*The annual estimated Fund Contribution will be adjusted at the end of the coverage period based on actual payroll.

Experience Modification Factor:	1.05
Standard Fund Contribution:	163,801
Schedule Rating Modification:	1.10
Adjusted Fund Contribution:	180,181
Domestic Terrorism (\$.010 per \$100 of Payroll:)	1,608
Foreign Terrorism (\$.010 per \$100 of Payroll:)	1,608
<b>*Annual Estimated Fund Contribution:</b>	<b>\$183,397</b>

**TERMS:**

Workers' Compensation Coverage: Statutory

Employers' Liability Coverage:

- Bodily Injury by Accident, \$1 million each accident
- Bodily Injury by Disease, \$1 million coverage period limit
- Bodily Injury by Disease, \$1 million each employee