


SET SEG - SCHOOL INSURANCE SPECIALISTS



BASIC OVERVIEW OF SCHOOL INSURANCE FOR THE BUSINESS OFFICIAL


PRESENTED BY:
SCOTT FRITZ, SALES MANAGER
TRAVIS VAN TICHEM, PROPERTY/CASUALTY AND WORKERS' COMPENSATION SPECIALIST
AMY GUILFORD, ASSISTANT DIRECTOR WORKERS' COMPENSATION FUND AND PROPERTY/CASUALTY POOL

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HEALTH INSURANCE 101

Scott Fritz
Sales Manager




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OUTLINE


- Employee Benefits Overview
- Medical Plan Types/Trends/Carriers
- Funding Arrangements
- Service Considerations
- Choosing a Partner
- Recently Enacted Laws
- Frequently Asked Questions
- Q&A



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EMPLOYEE BENEFITS OVERVIEW


- **Product Lines:** Medical, Dental, Vision, Life, Disability
- **Cost Drivers:** Plan design, projected/actual claims experience, assumption of risk
- **Trends:** The employee benefits landscape for public employers in Michigan is changing



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MEDICAL PLANS


- Traditional
- Health Maintenance Organization (HMO)
- Preferred Provider Organization (PPO)
- Point of Service (POS)
- High Deductible Health Plan (HDHP)
- Healthy Lifestyle



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TRENDS


- **Financial stress:** Impacting public employers across Michigan
- **Recently enacted laws:** Increased urgency to take action and make changes
- **High value plans:** Developed by regional carriers to meet needs of public education employees and their families
- **Employee groups electing alternative plans**



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REGIONAL CARRIERS


- Blue Cross Blue Shield of MI, BCBSM
- HealthPlus, East/Southeast of State
- Priority Health, West/Southeast of state
- Physicians Health Plan, PHP Lansing area/Central
- McLaren/HAP – HMO plans



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EMPLOYER FUNDING ARRANGEMENTS


- Insured
- Self-funded
- Partially self-funded
 - HRA or “Wrap”
 - Self-fund a portion (e.g. Rx)



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EMPLOYEE FUNDING TOOLS


- Flexible Spending Account (FSA)
 - Payroll deduction pre-tax dollars for qualified expenses
 - “Use it or lose it” IRS rule
- Health Savings Account (HSA)
 - Only with qualified High Deductible Health Plan IRS rule
 - Payroll deduction pre-tax dollars for qualified expenses



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SERVICE CONSIDERATIONS


- Roles/responsibilities of typical parties involved
- Networks
- Drug Formularies
- Accessing the marketplace



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CONSIDERATIONS WHEN SELECTING A PARTNER


- Do they represent any schools in Michigan for their health benefits?
 - If so, how many and for how long?
- How many RFP's have they completed to date?
- Cost/Fees?
- Timeline for completion
 - This process should start up to 6 months prior to negotiations
- An AOR letter does not need to be signed to get this service completed



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LAWS THAT HAVE CHANGED THE LANDSCAPE


- Patient Protection and Affordable Care Act (PPACA), effective March 23, 2010
- Public Act 106 (PA 106), effective October 1, 2007
- PA 93 of 2011, effective October 1, 2011
- PA 54, effective June 8, 2011
- PA 62, effective June 21, 2011
- PA 100 of 2011, effective July 27, 2011
- Senate Bill 7, recently signed into law



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FREQUENTLY ASKED QUESTIONS


- Why consider various insurance options?
 - High value options are available
 - New laws and financial conditions
- What do I need to know about the differences in plan designs I need to know about? How will a change affect me and my family?
 - Co-pays, deductibles for medical and prescriptions
 - Evaluate network changes
 - Carriers handle unique situations differently – investigate special concerns
- How do I know that I'll be taken care of?
 - Carriers insist on a positive experience for their customers
 - Get to know the parties that are likely to be involved
 - Important concerns, including privacy, claims, eligibility, etc. are federally regulated



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PROPERTY/CASUALTY

Amy Guilford
 Assistant Director of Workers'
 Compensation Fund and Property/Casualty
 Pool




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WHAT IS PROPERTY/CASUALTY INSURANCE ?

<p><u>1st Party Coverage</u></p> <ul style="list-style-type: none"> ▪ Property ▪ Boiler/Machinery ▪ Inland Marine ▪ Crime ▪ Auto Physical Damage 	<p><u>3rd Party Coverage</u></p> <ul style="list-style-type: none"> ▪ Commercial General Liability ▪ Errors & Omissions/ School Board Legal Liability ▪ Auto Liability ▪ Environmental Liability ▪ Excess/Umbrella
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PROPERTY COVERAGE

- Statement of Values
 - Buildings
 - Contents
 - Property in the open (PIO)
 - Total Insured Value
- Specified locations
- Replacement Cost vs. Actual Cash Value
- Sub-limits displayed on Declarations Page
 - Valuable Papers \$150,000
 - Business Income/Extra Expense: \$1,000,000

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BOILER & MACHINERY

- 1st Party Property Coverage
- Exclusions in Property form for pressure vessel exposures
 - Ex: Boilers, Air Conditioning Units, Refrigeration
- Sub-limits similar to Property Declarations
 - Spoilage
 - Ammonia Contamination

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INLAND MARINE

- "Floaters"
- Property that is moving or moveable
 - Examples:
 - Athletic Equipment
 - Grounds Equipment
 - Musical Instruments
- Deductible options
- Broader coverage
- Higher premium

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CRIME

- Covers money and securities from causes of loss
 - Employee Dishonesty
 - Named Position Bond
 - Money and Securities
 - Inside (Ex: Break-in, theft)
 - Outside (taking money to bank)
 - Forgery

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COMMERCIAL GENERAL LIABILITY

- Liability to a third party
 - Bodily Injury and Property Damage
- Injury as a result of:
 - Premises
 - Business Operations
 - Products
- Common coverages:
 - Sexual Misconduct
 - Personal and Advertising Injury
 - Employee Benefits Liability
 - Medical Payments
 - Students and Visitors
- Must prove Deliberate Indifference

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ERRORS AND OMISSIONS / SCHOOL BOARD LEGAL LIABILITY


- Wrongful Acts
- Monetary Coverages:
 - Employment Related Practices
 - Harassment, Discrimination, FMLA violation
- Non-monetary coverages:
 - Individual Education Plan-Due Process hearings
 - Failure to Educate
 - Equal Employment Opportunity Commission
- Defense Costs

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AUTO COVERAGE

- Auto Property Damage (APD)
 - Deductible options
- Auto Liability (AL)
 - Bodily Injury
 - Property Damage
- Michigan No-Fault
 - Personal Injury Protection (PIP)
- Hired/Non-owned Autos
- Uninsured/Underinsured Motorists
- Garage Operations




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EXCESS OR UMBRELLA

- Increases limits for primary liability coverages
- Claims Example:
 - Bus driver fails to stop at a stop sign and strikes and severely injures a pedestrian. Injured party is awarded \$3.5 million.
 - Current Limits:
 - Auto Liability: \$1 million
 - Excess Liability: \$3 million
 - Total: \$4 million




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OTHER COVERAGES

- Builders Risk
 - New Construction
 - Renovations
- Storage Tank Liability
 - Under ground
 - Above ground
- Student Accident
 - Broader coverage than Med Pay
 - Can cover athletic injuries




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WORKERS' COMPENSATION

Travis Van Tighem
Property/Casualty and Workers'
Compensation Specialist



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WHAT IS WORKERS' COMPENSATION?

- Required insurance coverage which pays benefits to injured employees in the event of injury, disability or death resulting from occupational hazards
- Michigan's Workers' Compensation Agency
 - Responsible for overseeing Michigan's workers' compensation
- Provides coverage for:
 - Wage loss
 - Medical expenses
 - Vocational rehabilitation
 - Death benefits




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WAGE LOSS BENEFITS

- Average weekly wage (AWW)
 - Highest 39 of 52 weeks
- Payment Timeline
 - Days 1-7 waiting period
 - Day 8 benefits begin
 - Day 14 (consecutive) waiting period waived
- Fringe benefits
 - If discontinued cash value added to AWW
 - Health care insurance
 - Employer contributions to a pension (MPSERS)
 - Vacation/Holiday pay



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MEDICAL BENEFITS

- Reasonable and necessary medical care
- Treating physician
 - Day 1-10 employer directs care
 - After 10 days employee elects physician of their choice
- Responsibility continues indefinitely as long as need for care is related to workers injury

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VOCATIONAL REHABILITATION BENEFITS

- Difficult in challenging economy
- Allows payment for retraining or job placement
- Used on specific cases which would allow a return to work
- Workers' Compensation wages cease if employee returns to a job at equal or greater pay

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PRICING OF WORKERS' COMPENSATION

- Rates filed with Agency and approved by State Regulators
- Employers report estimated payroll to coverage provider
- Rates based upon employee classifications
 - 8810 Clerical
 - 8868 Professional
 - 7380 Drivers
 - 9101 All Other
- Experience Modification
- Payroll Audit conducted after policy term

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SAMPLE INVOICE

Estimated Premium Statement for Fund Year ___ to ___

CODE	CLASSIFICATION	ESTIMATED PAYROLL	RATE	ESTIMATED PREMIUM
7380	Drivers, Garage Employees	\$404,672	3.46	\$14,001
8810	Clerical	\$1,945,533	.42	\$8,171
8868	Professional, Teachers	\$12,986,103	.20	\$25,972
9101	All Other Employees	\$1,163,692	3.50	\$40,729
SUBTOTALS		\$16,500,000		\$88,873

Experience Modification Factor 0.99	Modified Premium	\$87,984
	Less: Dividend	\$53,378
	Equals Total Net Premium	\$34,604
	Quarterly Premium Payments Due	\$8,651

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- ## KEY FUNCTIONS FOR SCHOOLS
- Timely reporting of claims
 - Designate a clinic
 - Communication with injured employee
 - Communication with claims handler
 - Return to Work program
 - Medical cost savings
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QUESTIONS AND ANSWERS

For further information feel free to contact us:
1-800-292-5421

- **Scott Fritz:** sfritz@setseg.org
- **Travis Van Tighem:** tvantighem@setseg.org

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