

# C13 – Insurance Basics for New Business Managers

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# Agenda

**1** Property & Casualty and Workers' Compensation

**2** Health insurance key terms and concepts

**3** Common causes of benefit program cost inefficiencies

**4** Impact of union and non-union participation on the benefits program

**5** Q&A





# Property & Casualty and Workers' Compensation

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## HELPING YOU MANAGE RISK, YOUR WAY

Risk Program Administrator's (RPA) extensive network pairs over four decades of experience, cutting-edge knowledge of emerging risks and industry-leading data to bring you customized, innovative solutions, all backed by a Fortune 500 company.

### How RPA Helps:

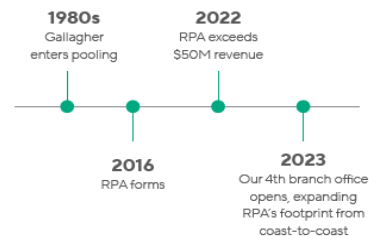
RPA's structure means we can tailor ourselves to be of the highest and best service to you, our client. We provide an unparalleled blend of risk program administration and related services. Some specific ways we've helped pools and programs include:

- Program administration
- ERM and strategic planning
- Risk management
- Coverage placement and design
- Member services
- Accounting services
- Vendor management
- Staff augmentation

### RPA Represents:



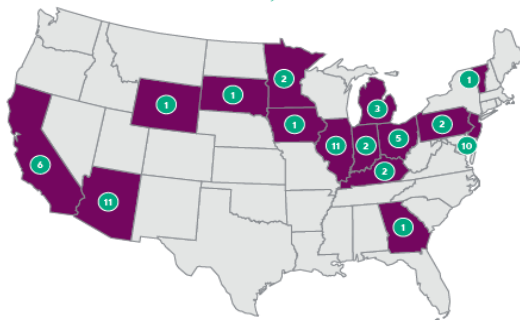
### Continued Growth:



### Areas of Expertise:



### Local Presence, Global Reach:



### RPA National Leadership Team:

**Cindy LaMantia**  
President

**John Ashton**  
Managing Director

**Mike Tiffany**  
Managing Director

**Tyler LaMantia**  
Director of Mergers & Acquisitions

**Marcus Henthorn**  
National Sales Director

**J. T. Babish**  
National Program Development Leader

**Jennifer Darnall**  
West Team Lead

**Brad Hoffman**  
East Team Lead

**Michelle Carter**  
National Communication and Initiatives Leader

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# WORKERS COMPENSATION



# WHAT IS WORKERS' COMPENSATION?

## A Brief History

### **Problem**

Prior to 1912, workers injured on the job could sue employer in a tort action

- Difficult for workers to recover

### **Solution**

A no-fault system that requires employer to compensate employee injured on the job regardless of the existence of any fault

- Limited amount worker can recover

# WHAT BENEFITS ARE COVERED?

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1

Wage Loss

Medical benefits

2

3

Rehabilitation benefits

Death benefit

4

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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



## MEDICAL BENEFITS

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- Reasonable and necessary medical care
- Treating physician
  - Day 1-28, employer directs care
  - After 28 days, employee elects physician of their choice
- Responsibility continues indefinitely as long as need for care is related to workers injury

## 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

# 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
  - 9015 Janitorial
  - 9058 Food Service
- Experience Modification
- Payroll Audit conducted after policy term

# SAMPLE INVOICE

## Estimated Premium Statement for Fund Year 2023 to 2024

CODE	CLASSIFICATION	PAYROLL	RATE	PREMIUM
7380	Bus Drivers	\$ 106,653	\$ 3.45	\$ 3,680
8810	Clerical	\$ 894,987	\$ 0.10	\$ 895
8868	Professional	\$ 16,808,200	\$ 0.20	\$ 33,616
9015	Janitorial	\$ -	\$ 2.50	\$ -
9058	Food Service	\$ -	\$ 0.80	\$ -
9101	All Other	\$ 913,331	\$ 1.97	\$ 17,993
				\$ 56,184

PREMIUM CONTRIBUTION	2023-2024
Experience MOD	0.99
Admin Cost/Dividend	\$0
Total Contribution	\$56,184
Premium	\$55,622

# IMPACT OF MOD FACTOR

Assume Schools A & B have the same payrolls:

CODE	CLASSIFICATION	PAYROLL	RATE	PREMIUM
7380	Bus Drivers	\$ 106,653	\$ 3.45	\$ 3,680
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				\$ 56,184

Experience MOD Factor School **A 1.10**

Experience MOD Factor School **B 0.90**

Final Premium School A  $\$56,184 \times 1.10 = \$61,802$

Final Premium School A  $\$56,184 \times 0.90 = \$50,565$

**Difference in Premium \$11,237**

# INDIRECT COSTS FOR A SCHOOL TO CONSIDER

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Loss of injured workers' productivity

Cost to hire and train new employees (temporary or permanent)

Wages of replacement employees to cover for injured worker

Overtime costs

Time investment of supervisors/managers to investigate the accident, complete necessary paperwork, and provide ongoing follow-up



# Workers' Compensation

## Success Factors

### Promptly report claims

- Delays cause chain reaction
- Injuries become worse, details become less clear
- Claims unreported for more than four weeks cost 45 percent more

### Designate health clinic for cost savings

### Establish return to work program

### Effective communication is critical!

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## Property Casualty



# WHAT IS PROPERTY/CASUALTY INSURANCE?

## **Claim payments made to school districts-FIRST PARTY**

- Property
- Inland Marine
- Crime
- Auto Physical Damage

## **Claim payments made to others-THIRD PARTY**

- Commercial General Liability
- Errors and Omissions/School Board Legal Liability
- Auto Liability
- Excess/Umbrella
- Environmental Liability

# Property/Casualty

## Low Cost- High Stakes

- Schools spend less on property and liability insurance than health insurance
- It's possible to purchase insurance that will not meet a district's needs
- Inadequate property and liability insurance may cost a district millions of dollars
- Review Excess/Umbrella Limits

# Property/Casualty

Not All Insurance Is Created Equal

Ask “What is not covered?”

- Vacant buildings

Consider amount of insurance

- Limits and deductibles

Identify your exposure

- Vulnerabilities
- Bond issue/builder’s risk
- UST

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# Property/Casualty

Reality of PC

Participation guidelines

Facility Use Agreements

Certificates of Insurance

Local agents



# Property/Casualty

Reality of PC

## CONTRACT RISK MANAGEMENT

**Indemnification and Hold Harmless** required of ALL vendors/contractors. Only use mutual indemnification language when dealing with another public body.

**Certificates of insurance** required of ALL vendors/contractors confirming CGL, WC, SAM and AL. Request limits of no less than \$1 million.

**Additional insured status** by endorsement given on all policies except WC. Other party SHOULD BE Primary.

**Remove language** stating the district will accept responsibility for claims that arise from the acts or omissions of vendor/contractor, or contracted staff.

**Waiver of subrogation** language should be removed from all contracts.

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# Property/Casualty

## Auto Liability

### **Bus Accident with Kids aboard**

- Passengers default to their auto insurance policy or resident relative's policy
- Collect roster of all passengers
- Extended statute of limitations for minors
- Report to insurance promptly

# Cyber Insurance and Prevention



# Cyber Insurance and Prevention-STAY VIGILANT!

Vulnerability Scans	Tabletop Exercises
Risk Assessments	IT Policy
Phishing and Training Campaigns	CISO or VCISO
CIRP- Cyber Incident Response Plan	MFA &EDR (End Point Detection and Response)

# THANK YOU!

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# Health Insurance Key Terms and Concepts





# Key Elements



Coverage Level

- What is covered?
- How much a participant has to pay when accessing services?



Flexibility

- List of facilities and providers where services can be accessed.
- Ability for participant to choose where and when to access services.



Cost

- What comes out of the employee's check to be enrolled in the plan
- PA 152

# Coverage Level

Deductible	Amount of expenses a person pays each benefit year from his/her own pocket before the health plan makes payments for benefits. Services subject to deductible vary by plan type.
Coinsurance	Typically a percentage cost share amount the covered person must pay after the deductible is met for certain services each benefit year. Coupled with a coinsurance maximum which caps the amount a covered person pays after the deductible is met. Services subject to coinsurance vary by plan type.
Copayment or Copay	A flat dollar amount paid for particular services. Services subject to copays and when copays apply (before deductible/coinsurance max is met or after deductible/coinsurance max is met) vary by plan type.
Out of Pocket Maximum	Maximum amount the covered person must spend out of pocket during each benefit year. Amounts spent on deductibles, coinsurance and copayments all go toward the out of pocket maximum.
Traditional Plan	May or may not have deductibles/coinsurance. Copayments typically apply from day one.
High Deductible Health Plan (HDHP)	A plan with a high deductible (at least \$1,400 single or \$2,800 for a couple or family). Member is responsible for 100% of the cost of all services <b><u>including prescription costs</u></b> until the deductible is met each benefit year. Services considered by the plan to be preventive are covered at 100% and are not subject to the deductible. The IRS allows the use of a Health Savings Account (HSA) to pay for out of pocket expenses.

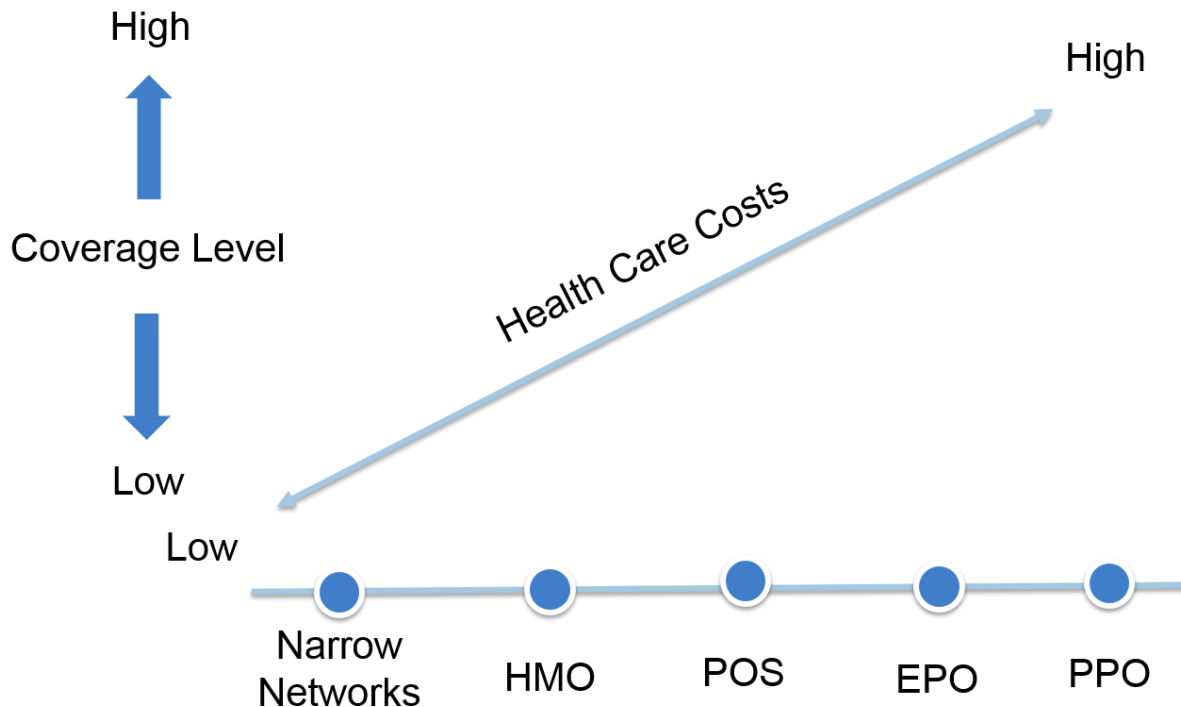
# Flexibility [Network Model]

PPO	A preferred provider organization with a lower out of pocket cost in-network and higher out of pocket cost out-of-network. In-network means the physician or hospital has contracted with the insurance company to accept a reduced fee as payment in full.
EPO	Uses the same in-network list of providers as a PPO, but does not provide access to out-of-network services except in case of emergency.
HMO	A health maintenance organization that requires a member to seek care through a primary care physician or PCP. The PCP then refers members to specialist as allowed by the network. HMOs do not provide access to out-of-network services except in case of emergency.
POS	Uses the same in-network list of providers as an HMO, but provides opportunity to go out-of-network at a reduced benefit.
Narrow Network	Creates steerage toward a set of hospitals/providers with which more affordable reimbursement rates have been negotiated. Access to other hospitals/providers is available at a higher cost and/or at higher out of pocket cost.

# Cost

Employee Cost  
Share/Contribution

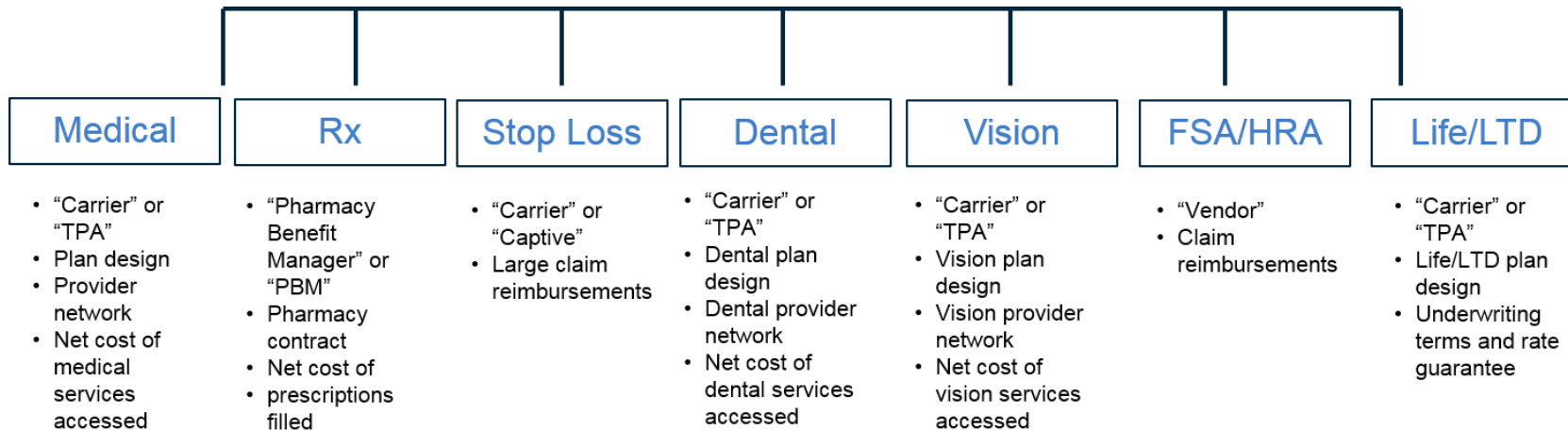
The cost to simply be enrolled in the plan. Can typically be deducted from your paycheck on a pre-tax basis.



# The Anatomy of a Public School Benefit Program

Agent/consultant - - - - - District

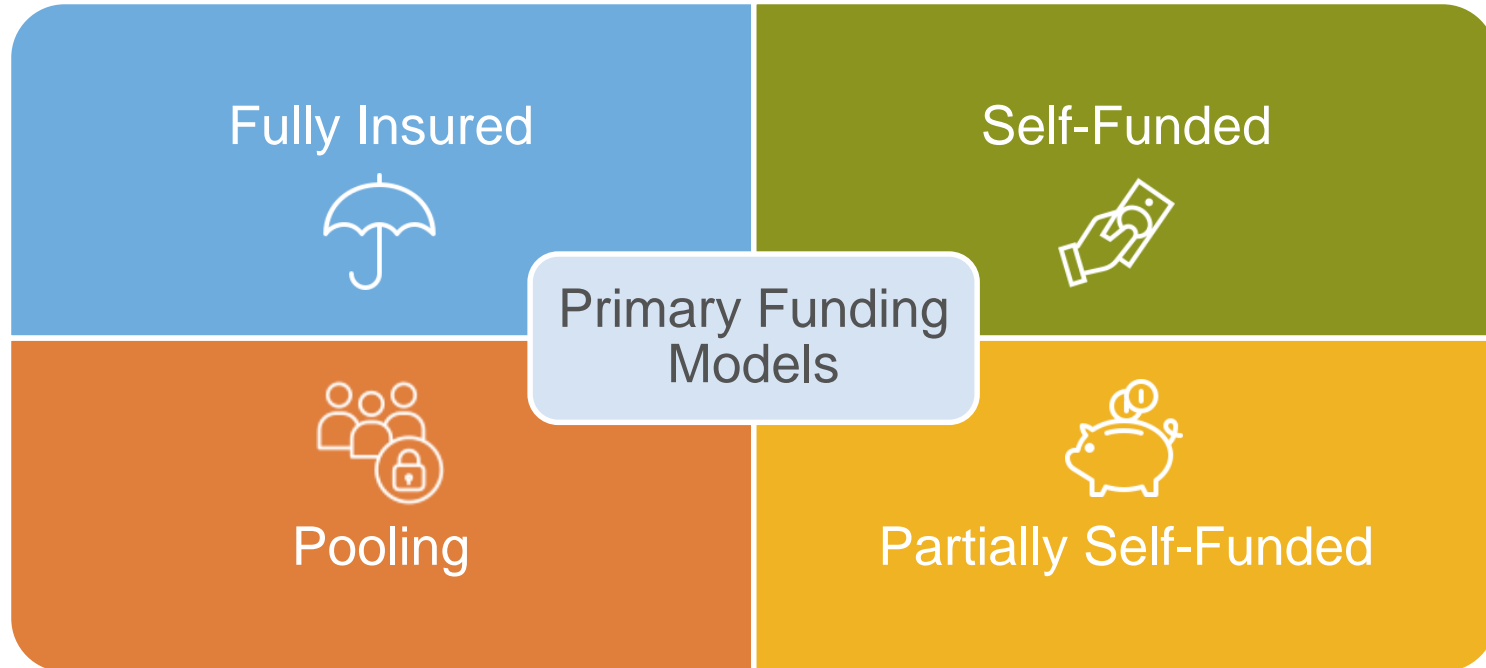
Strategic considerations might include things like funding models, data transparency, employee disruption, potential for cost volatility, compliance, etc.



Other program elements might include voluntary/worksite benefits, COBRA, etc.

# Funding Overview

Four primary funding models used by Michigan public schools

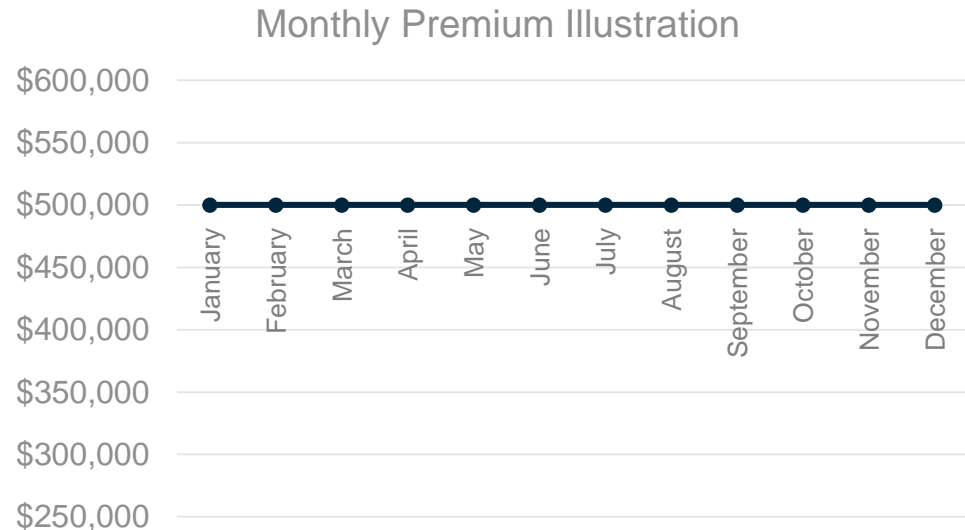


# Funding Overview

## Fully Insured

- Established single, two person and family rate for each plan offered
- Rates generally guaranteed for 12 months
- District pays the same rates for 12 months whether enrollees use more care than expected or less
- Claim data may or may not be considered when establishing rates (discussed later)

Enrollment Type <sup>8</sup>	Monthly Rate	Enrollment	Total Monthly Premium
Single	\$600	100	\$60,000
Two Person	\$1,200	75	\$90,000
Family	\$1,750	200	\$350,000
TOTAL MONTHLY PREMIUM			\$500,000



Assumes consistent enrollment all year for illustrative purposes

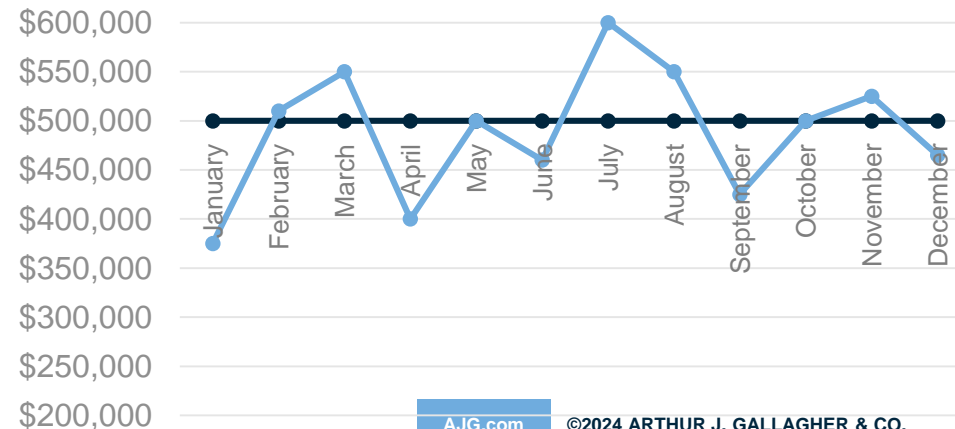
# Funding Overview

## Self Funded

- District pays for the cost of products and services as they are used by enrollees
- Rates are established based on projected costs expected for the 12 month plan year and are not guaranteed
- District pays more if enrollees use more care than expected and pays less if enrollees use less care than expected
- Insurance retained by district to protect against catastrophic losses called stop loss insurance

Cost Components	Monthly Rate	Enrollment	Total Monthly Projected Cost
Administrative Fee	\$75.00	375	\$28,125
Stoploss Insurance	\$125.00	375	\$46,875
Projected Claims	\$1,133.33	375	\$425,000
TOTAL			\$500,000

Monthly Projected vs. Actual Cost Illustration

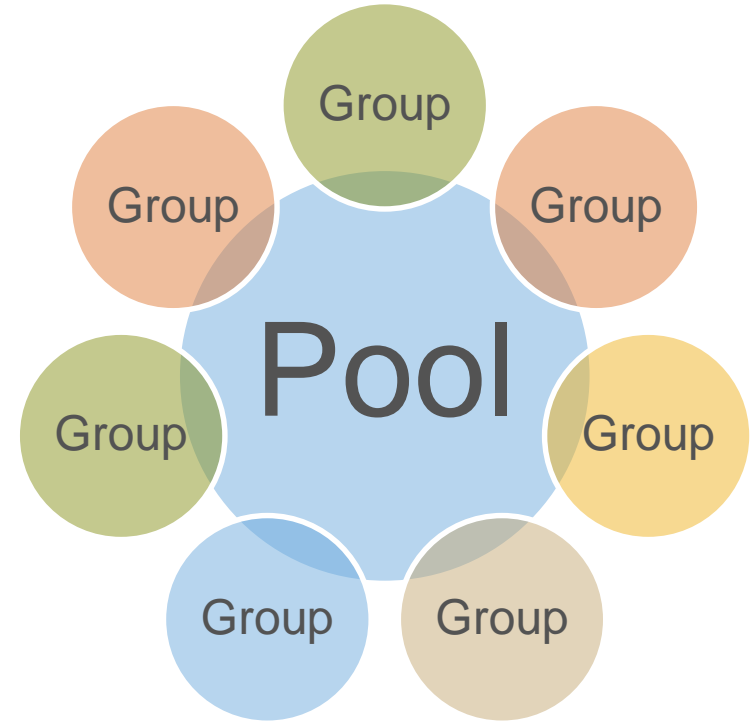




# Funding Overview

## Pooling (example arrangement based on the Western Michigan Health Insurance Pool)

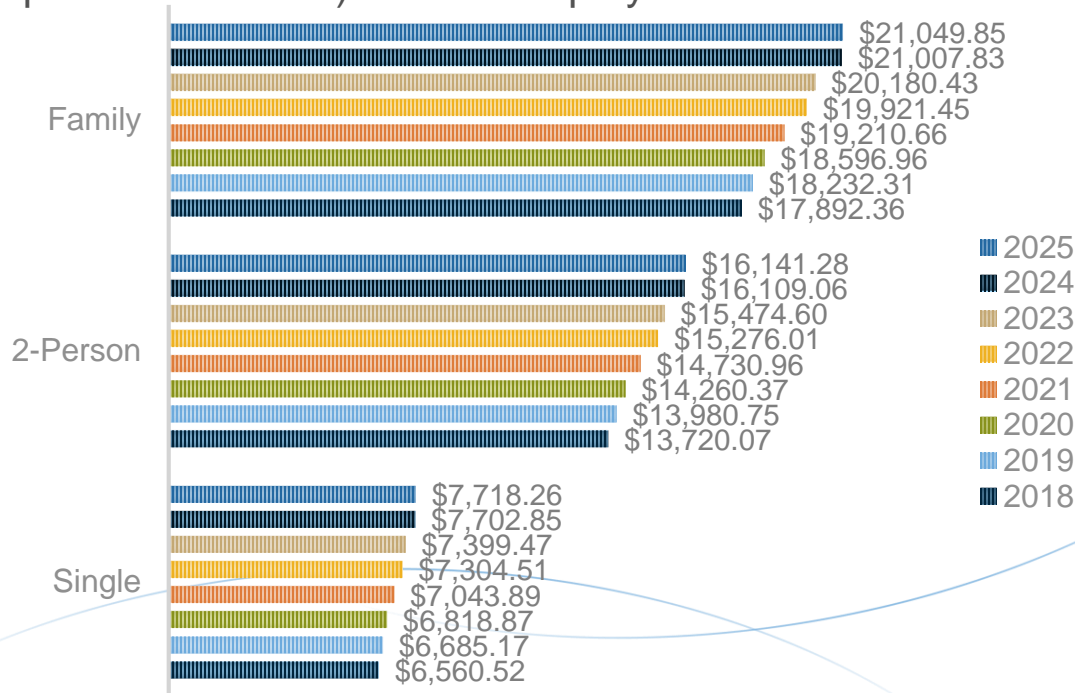
- Sharing claim risk with other employers and taking advantage of collective buying power
- Established single, two person and family rate for each plan offered
- Rates guaranteed for 12 months
- District pays the same rates for 12 months whether enrollees use more care than expected or less
- Pool members make program decisions with a view toward providing high quality coverage at a reasonable and stable cost



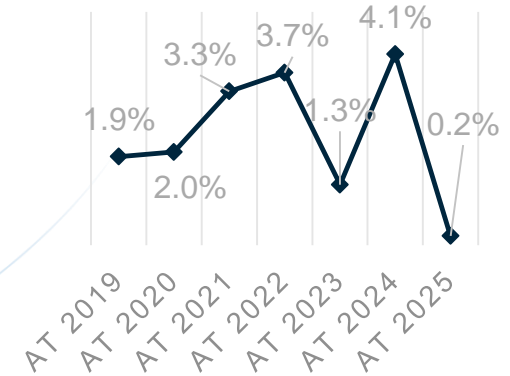
# Michigan Public Act 152

## Public Funded Health Insurance Contribution Act

Act requires public employers to comply by either implementing hard cap (default, represented below) or 20% employee contributions



## CAP INCREASE AT RENEWAL




# Public Act 106 (PA 106)


## Public Funded Health Insurance Contribution Act

Among other things, requires public employers procuring coverage or benefits to solicit proposals for medical, dental and vision coverage from a minimum of three insurance carriers and one VEBA every three years or whenever a plan change is made.


### Considerations

A photograph of two people, a woman and a man, smiling and looking at a laptop screen. The image is overlaid with a semi-transparent blue filter.

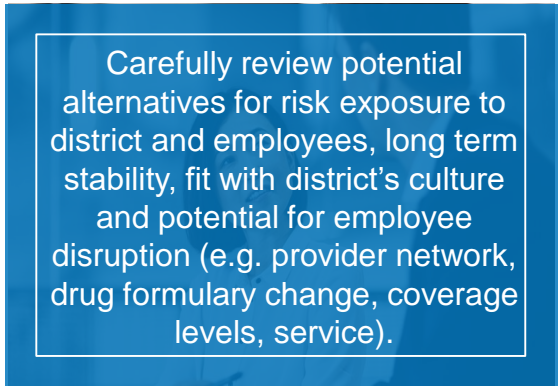
The partner selected for this process matters

A photograph of a man in a white shirt speaking, with a woman partially visible behind him. The image is overlaid with a semi-transparent green filter.

Use the tool to educate

A photograph of three people, two women and one man, looking down at a laptop screen. The image is overlaid with a semi-transparent orange filter.

Assess current program and opportunities for greater understanding and more efficient utilization

A photograph of a group of people in a meeting, with one person standing and speaking. The image is overlaid with a semi-transparent blue filter.

Carefully review potential alternatives for risk exposure to district and employees, long term stability, fit with district's culture and potential for employee disruption (e.g. provider network, drug formulary change, coverage levels, service).

# Common Causes of Benefit Program Cost Inefficiencies

# Common Causes of Cost Inefficiencies

- Bad advice
- Failure to select optimal carrier/vendor partners based on your district's situation
- Poor relationship and communication with carrier/vendor partners
- Lack of rapport with union and non-union leadership and membership
- Lack of transparency into program elements
- Inefficient contracts and/or arrangements
- Ineffective implementation of program additions or alternatives



# Impact of Union & Non-union Participation on the Benefits Program

# The Plan Cost

## Who and How?

Underwriters look at how much we've used our insurance plan as a group in the past to predict how we are likely to use in the future

Premium rates are set to collect enough money over the benefit year to:

- Pay for medical and prescription services received by the group
- Pay for operating expenses
- Other underwriting components include: administrative costs, trend and credibility factors



# Data Review

Typical data request submitted to carriers (all data is de-identified):

- Census file summarizing plan participants including information such as date of birth, gender, zip code and current plan elections
- Paid premiums
- 24-36 months of paid claims and enrollment by plan and as a group
- Excess claims reports with diagnosis, typically claims over \$50,000 or \$75,000
- List of providers used during the previous 12 months
- Benefit summaries





# Thank you!

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