



CITY OF DECATUR

WORKERS COMPENSATION

17 YEAR ANALYSIS



MUNICIPAL WORKERS COMPENSATION FUND, INC.

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May 9, 2012

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Operations Manager

Mr. Ken Smith
City of Decatur
Post Office Box 488
Decatur, Alabama 35602

RE: Workers' Compensation 17 Year Analysis

Dear Ken:

Please accept this report as the Five Year Workers' Compensation Savings and Cost Analysis Report.

The City of Decatur, in conjunction with the Municipal Workers' Compensation Fund, works together through claims administration and cost containment programs to produce one of the most effective self-administered workers' compensation programs in the nation.

For the population size of the City of Decatur, we have one of the best financial comp programs in the nation. This is evidenced by the number of employees per annum and the corresponding modification factor, which indicates the historical losses for the City of Decatur. When you compare the City of Decatur's modification factor to other comparable cities in the nation, the City has one of the best modification factors in that population grouping.

Below demonstrates the savings and effectiveness of the City of Decatur's current worker's compensation program.

By utilizing the cost contracts, loss control and claims administration services of the Municipal Workers' Compensation Fund, coupled with the City of Decatur's Human Resources Department's day-to-day directives and internal implementation of the cost program, the City of Decatur enjoys huge savings to the tax payers.

Under this program, the City of Decatur utilizes the administration services of the Municipal Workers' Compensation Fund and the City of Decatur pays for its own claims exposures up to \$250,000 per claim and if any claim exceeds

that cost, the Municipal Workers' Compensation Fund pays for those claims expenditures.

The following diagram shows the actual dollars saved by the City of Decatur under this program:

| <u>YEAR</u> | <u>NORMAL PREMIUM</u> | <u>EXPOSURE</u> | <u>SAVINGS</u> |
|---------------|---------------------------|--------------------------|------------------------|
| <u>1995</u> | \$617,193.00 | (\$631,241.29) | (\$14,048.29) |
| <u>1996</u> | \$587,831.00 | (\$937,999.81) | (\$350,168.81) |
| <u>1997</u> | \$605,627.00 | (\$480,128.93) | \$125,498.07 |
| <u>1998</u> | \$680,746.00 | (\$386,166.72) | \$294,579.28 |
| <u>1999</u> | \$635,998.00 | (\$675,332.77) | (\$39,334.77) |
| <u>2000</u> | \$690,304.00 | (\$782,333.63) | (\$92,029.63) |
| <u>2001</u> | \$688,417.00 | (\$1,118,260.83) | (\$429,843.83) |
| <u>2002</u> | \$971,751.00 | (\$1,058,004.58) | (\$86,253.58) |
| <u>2003</u> | \$991,887.00 | (\$525,895.09) | \$465,991.91 |
| <u>2004</u> | \$1,070,887.00 | (\$493,082.84) | \$577,804.16 |
| <u>2005</u> | \$1,225,567.00 | (\$513,505.06) | \$712,061.94 |
| <u>2006</u> | \$1,079,150.00 | (\$438,134.19) | \$641,015.81 |
| <u>2007</u> | \$866,608.00 | (\$625,169.33) | \$241,438.67 |
| <u>2008</u> | \$944,415.00 | (\$394,418.96) | \$549,996.04 |
| <u>2009</u> | \$1,002,002.00 | (\$554,140.78) | \$447,861.22 |
| <u>2010</u> | 963,779.00 | (\$387,150.92) | \$576,628.08 |
| <u>2011</u> | \$1,033,064.00 | (\$294,583.62) | \$738,480.38 |
| TOTALS | \$14,655,226 | \$(10,295,549.35) | \$ 4,359,676.65 |

Please note that the premium dollar amount is not the premium cost paid by Decatur under this program; rather, it is the estimate premium the City of Decatur would pay in the private market.

In the private market, the City of Decatur (over a 17 year period) would have paid a normal premium of \$14,655,226 based upon its loss experience and payroll. By virtue of this special program, whereby the City of Decatur pays for its own claims (by effectively utilizing cost containment programs, etc., of the Municipal Workers' Compensation Fund), the City of Decatur has saved \$4,359,676.65 to which that money has been unencumbered for other important City responsibilities and back to its tax payers.

The City of Decatur's modification factor, over the past five years, has held consistently to the lowest modification factor during the past 17 years.

The modification factor is a "factor" computed by the National Council of Compensation Insurance (NCCI) and it computes a modification factor for every employer in the United States of America. The private carriers use this factor to either reward or punish the insured by adjusting the normal premium up or down based upon the modification factor (if the modification factor is below 1.0, the normal premium is reduced.....if the modification factor is above 1.0, the normal premium is increased).

A modification factor takes into account the prior four years of losses (excluding the most current).....so, an employer's good or bad years stay with them in the mod factor calculation for three years.

The following demonstrates the historical modification factor for the City of Decatur:

| <u>YEAR</u> | <u>MOD FACTOR</u> |
|-------------|-------------------|
| <u>1995</u> | 0.99 |
| <u>1996</u> | 1.01 |
| <u>1997</u> | 1.05 |

| | |
|-------------|------|
| <u>1998</u> | 1.10 |
| <u>1999</u> | 1.01 |
| <u>2000</u> | 1.02 |
| <u>2001</u> | 0.96 |
| <u>2002</u> | 1.26 |
| <u>2003</u> | 1.26 |
| <u>2004</u> | 1.28 |
| <u>2005</u> | 1.30 |
| <u>2006</u> | 1.01 |
| <u>2007</u> | 0.76 |
| <u>2008</u> | 0.76 |
| <u>2009</u> | 0.81 |
| <u>2010</u> | 0.83 |
| <u>2011</u> | 0.89 |
| <u>2012</u> | 0.89 |

From 2005 through 2012, we see that the City of Decatur's internal claims administration program has performed with exceptional results because the modification factor calculated by NCCI has a **below 1.0 mod factor** for those years.

When examining the efficiency of the claims program, we must always look at the employee number base. The City of Decatur has held a consistent full time employee base of around 500; however, the claims count has consistently dropped or held constant.....this is critical in the success of the City of Decatur's workers' compensation program and its savings.

In addition to a solid full time employee base, the City of Decatur has successfully implemented a part time employee base (especially in the summer hiring months.....it must be noted that if a part time summer employee is injured, they do qualify for workers' compensation under the Alabama statute).

The following shows the City of Decatur's employee base to its claims count by year:

| <u>YEAR</u> | <u>FULL TIME</u> | <u>PART TIME</u> | <u>TOTAL</u> | <u>CLAIMS COUNT</u> |
|-------------|------------------|------------------|--------------|---------------------|
| <u>1995</u> | 451 | 146 | 597 | 182 |
| <u>1996</u> | 483 | 221 | 704 | 175 |
| <u>1997</u> | 491 | 136 | 627 | 154 |
| <u>1998</u> | 495 | 64 | 559 | 199 |
| <u>1999</u> | 484 | 78 | 562 | 179 |
| <u>2000</u> | 519 | 100 | 619 | 206 |
| <u>2001</u> | 515 | 125 | 640 | 181 |
| <u>2002</u> | 526 | 125 | 651 | 161 |
| <u>2003</u> | 522 | 200 | 722 | 177 |
| <u>2004</u> | 528 | 94 | 622 | 135 |
| <u>2005</u> | 540 | 27 | 567 | 124 |
| <u>2006</u> | 504 | 31 | 535 | 121 |
| <u>2007</u> | 518 | 84 | 602 | 103 |
| <u>2008</u> | 515 | 91 | 606 | 129 |
| <u>2009</u> | 519 | 140 | 659 | 76 |

| | | | | |
|-------------|-----|-----|-----|----|
| <u>2010</u> | 517 | 141 | 658 | 85 |
| <u>2011</u> | 518 | 136 | 654 | 90 |

In conclusion, the City of Decatur's modification factor has consistently held below a 1.0 for the past six years, demonstrating a consistent safety oriented "mind-set" of the department heads and a successful down lining of safety procedures.

This is reflected by the fact that the claims counts have held consistent and at its lowest level from 2005 through 2012, notwithstanding that the employee base from 2005 through 2012 has been at its peak and at times exceeding 600 employees.

The Municipal Workers' Compensation Fund congratulates the City of Decatur for a job well done, and for giving the State of Alabama the ability to "brag" about our municipalities, especially the City of Decatur, as it relates to cost containment and safety oriented attitudes in the municipal government arena.

I remain sincerely yours,



Tom R. Roper
Outside General Counsel

CC: Mayor Don Stanford