

MEMORANDUM

**TO: Mayor and City Commission
Department Directors
City Compliance Team**

FROM: David Weisbrodt, Safety/Training Manager

RE: Fiscal Year 2005 – Fiscal Year Ending Insurance Cost Analysis

DATE: August 10, 2005

The following report summarizes the estimated costs associated with annual insurance coverage and casualty claims. The reporting period in review covers fiscal year **2005 (July 1, 2004 - June 30, 2005)**, including a comparison with prior fiscal years; additional claim specific information may be obtained upon request.

WORKERS' COMPENSATION RECORDABLE CLAIMS

Workers' compensation recordable claims were up slightly from the prior year (from 35 to 40), just above the 4-year average low of 38 claims.

WORKERS' COMPENSATION CLAIM COST

The City's workers' compensation claim expense during FY05 was high when compared to historical data. The higher cost experienced in FY05 can be attributed to the severity rather than frequency of injuries and stems not only from current year claim activity, but prior year activity as well. Three (3) claims account for approximately 73% of all incurred (UPV) cost for FY05 (\$338,407). Despite higher WC expenses for FY05, the WC fund is adequately funded for anticipated future year expense.

All workers' compensation claims (current and prior year claims) paid during FY05 totaled \$153,738. Of this amount, \$96,772 is considered "out-of-period" expense arising from prior year claims (See Table I). Approximately 90+% of the prior year claims paid costs were the result of just 2 claims.

Table I
Current Year – Actual WC Expenses

Current Year Claims FY 2005	Prior Year Claims* FY 2004, 2002, 2001, 1999
\$56,966	\$96,722

*Claims occurring during FY2003, 2000 and 1998 are all closed.

OSHA Recordable Frequency & Lost-Time Frequency Rates “Preventable Only”

The City reports 2nd lowest injury rate since 1996.

The attached chart, titled “Injury Frequency Rates”, provides information regarding the frequency of both recordable and lost-time injuries.

- The preventable OSHA recordable injury rate for FY05 was 13% lower than the prior 4-year average, resulting in the second lowest annual preventable injury rate since data gathering began in 1996. The FY05 rate (4.7) was bested only by FY02 when the City experienced a rate of 3.7 preventable injuries/100 workers working a full 40-hour work week.
- Injury severity (lost-time injuries) has increased slightly for the third year in a row, but is still within an acceptable range.

The City has continued to place safety at the forefront and has maintained lower than expected losses. Because of the continued success of the program, the FY06 Workers Compensation insurance rate (\$158,711) decreased 6.6%, despite added exposure (additional payroll). Due to the higher severity of injuries during this fiscal year, premiums for FY07 are expected to increase.

AUTOMOBILE INSURANCE

The total number of vehicle collisions (42) reported during FY05 was practically the same as the prior 4-year average. Of the 42 reported collisions, 26 were considered “preventable”. The overall “preventable” vehicle collision rate (number of preventable collisions/100 employees working a 40-hr. workweek/year) edged higher than the prior 4-year average (FY05 = 3.43, 4-year average = 3.09), but ended lower than the prior year (3.91).

- 6 of the 26 preventable collisions incurred costs less than \$200.
- 42% (11 of 26) of preventable vehicle collisions involved a fixed or non-moving object (parked vehicle, pole, mailbox, rock wall, etc.).
 - This is down considerably from FY03 and FY04 (83% and 75%).
- 15% of preventable collisions were attributed to improper backing.
 - The number of backing collisions has been reduced tremendously over the past several years. Only 4 of the 26 preventable collisions involved backing.

- Historically, backing has accounted for 20-30% of all preventable vehicle collisions.
 - Backing warning devices will continue to be placed onto those vehicles that have poor rear visibility.
- Automobile losses for FY05 equal \$65,266. Three claims make up the majority of this cost (\$51,029).
 - The average 4-year cost of loss equals \$101,629.

The annual insurance premium for FY06 (\$200,632), increased 18.8% over FY05 (\$168,912). The premium increased due to a newer fleet and the decision to increase liability coverage.

GENERAL LIABILITY INSURANCE

The number of general liability claims occurring during FY05 were about half of that normally encountered in an average year. Total claim costs incurred by the insurance carrier for the fiscal year equaled \$4,496, compared to FY04 - \$33,466, FY03 - \$24,132, FY02 - \$6,969, FY01 - \$5,391, FY00 - \$15,656, FY99 - \$6,330, and FY98 - \$17,839.

- Only one claim exceeded incurred cost of \$1,000. This single claim stemmed from damage to a claimant's vehicle, sustained by a piece of debris allegedly thrown from a weed eater.

General liability insurance premiums for FY06 will increase from \$161,141, to \$199,533. The large increase is based on an increasing City payroll and the decision to increase liability coverage.

- Table II reflects our insurance carrier's incurred costs as they relate to the City's annual premium.

**Table II
General Liability Insurance**

Fiscal Year	Insurance Premium	Cost Incurred
2006	\$199,533	N/A
2005	\$161,141	\$4,506
2004	\$136,304	\$33,466
2003	\$108,122	\$24,132
2002	\$91,526	\$6,969
2001	\$90,685	\$5,391

LAW ENFORCEMENT/PUBLIC OFFICIAL LIABILITY INSURANCE

Over the last 4-year period, the City has averaged less than 2 law enforcement claims and 1 public official liability claim per year. During FY05, there were 5 law enforcement and zero public official liability claims.

- o 3 of the 5 law enforcement claims involved property damage incurred as a result of forced entry.
- o Table II reflects our insurance carrier's incurred costs as they relate to the City's annual premium.

**Table III
Public Official Liability Insurance**

Fiscal Year	Insurance Premium	Cost Incurred
2006	\$154,695	N/A
2005	\$127,278	\$3,350
2004	\$105,730	\$0
2003	\$80,341	\$7,039
2002	\$32,308	\$49,083
2001	\$29,835	\$1,853

Law enforcement liability insurance will increase from \$102,404 to \$122,493, and public officials liability will increase from \$127,278, to \$154,695. The higher premium pricing for Law Enforcement and Public Official liability insurance is mainly due to a higher liability limit.

PROPERTY COVERAGE

Eighty-nine (89) property damage claims were reported in FY05, as opposed to 44 in FY04, 42 in FY03, 54 in FY02 and 37 in FY01. Of the 89 property loss claims, 8 resulted in a loss of more than \$1,000 (listed below).

- Wind storm damaged equipment and buildings at Park locations \$22,189
- Wind storm damaged various Park locations (2nd storm) \$ 6,290
- Unknown individual walked on freshly surfaced gym floor \$ 1,175
- Lightning damaged electrical equipment at Paul Walker GC \$ 2,708
- Traffic signal device/pole was struck by motorist \$ 4,166
- Generator at PD malfunctioned \$ 7,029
- Hail damaged vehicle \$ 1,673

Of the 89 property losses, 37 were the result of vandalism, most occurring at City park facilities. All cases of vandalism were valued at less than \$1,000 (the City's deductible). While most vandalism incidents incurred costs of less than \$200, the total property damaged equaled approximately \$7,500.

- Vandalism has increased almost 200% at City park locations just within the past year.
 - This trend is continuing thus far in FY06, as there were 7 vandalism incidents reported during the month of July, with a total combined loss of over \$1,000.

Property insurance premiums (building and contents) for FY06 will increase from \$119,839, to \$127,421. The increase is due mainly to a higher assessed property value.

SUMMARY

A total of 69 claims were filed during FY05, which is exactly in line with the prior 4-year average. Incurred cost is significantly higher than previous years, due mainly to three moderately severe WC claims in which \$225,000 has been placed in reserve.

**Table III
City's Incurred Claim Cost**

Fiscal Year	City Incurred Cost
2005	\$356,123
2004	\$170,438
2003	\$ 78,767
2002	\$130,357
2001	\$137,704
2000	\$ 78,948
1999	\$214,469
1998	\$180,605

The following items are worthy of special note:

- The Public Works, Fire, and Police departments lowered their OSHA “preventable” Frequency and Lost-Time Injury rates over their prior 4-year average (see accompanying charts).
- Bowling Green’s experience modification factor (EM) continues to be among the best of all cities insured by KLCIS. Compared to other cities with similar payrolls, the City of Bowling Green’s lower EM factor accounts for an average annual premium savings of \$85,000.
- Annual insurance premiums will increase from \$850,125 to \$963,485 in FY06. The majority of this increase is due to the decision to increase liability limits from \$2,000,000 to \$5,000,000.
- The Safety Compliance Incentive/Accountability Program continues to be an effective tool for assisting all departments in their effort toward maintaining occupational health and safety compliance, reducing claim experience, and emphasizing the importance of safety.
 - The Police, Fire, and Public Works departments succeeded in qualifying for the FY05 Safety Compliance Incentive Award.
 - Qualifying departments reduced their prior 4-year average in at least 2 of 3 major loss categories (recordable injuries, lost-time injuries, & preventable vehicle accidents). As a result, each employee within the qualifying departments is eligible to receive a \$200 - \$500 savings bond.
 - For the first time in 5 years, the Parks department and the “Other” departments (HCD, CIA, HR, Finance, IT, and Legal) missed their FY05 goal objectives and will not be receiving the incentive award.

Also included with this report are the following charts:

- **Fiscal Year Workers Compensation Recordable Claim Totals**
 - Number of WC claims by department and by fiscal year.
 - Includes noise induced hearing loss, recordable under the new OSHA standards.
- **Actual Cost vs. Incurred Cost (Workers Compensation)**
 - Total expenses already paid (actual) by the City for each department and the incurred cost (expected upper potential value of claim cost).
- **Injury Frequency Rates**
 - Provides a non-biased figure for calculating injuries within a working environment. Resulting figures are calculated using the actual number of hours worked within a specific group. Figures are obtained by department and by fiscal year.

- **Injury Frequency Rates (Adjusted to Show Only Preventable Injuries)**
 - Provides a non-biased figure for calculating injuries within a working environment, excluding those injuries that are caused by an uncontrolled force or due to occupational related hazards (i.e. emergency situations in which the public safety employee did everything within reason to prevent the injury, or vehicle collisions in which the employee was not at fault, etc.). Resulting figures are calculated using the actual number of hours worked within a specific group. The rates obtained by this method are used to obtain the Safety Compliance Incentive/Accountability goals, and calculate department award status.

- **Insurance Cost Analysis**
 - Provides data on claim activity by fiscal year.
 - Insurance premium costs by fiscal year.
 - Both claim expense amounts paid and incurred by the City and the City's Insurance Carrier.

Figures reported include all claims through June 30, 2005. Although all claims have been accounted for, there are usually adjustments in reserves throughout the course of the year that could positively or negatively affect their value. I believe current reserves reflect actual value of currently active claims, and any additional changes are not expected to be significant.

WC RECORDABLE CLAIM TOTALS

Period Ending 06/30/05

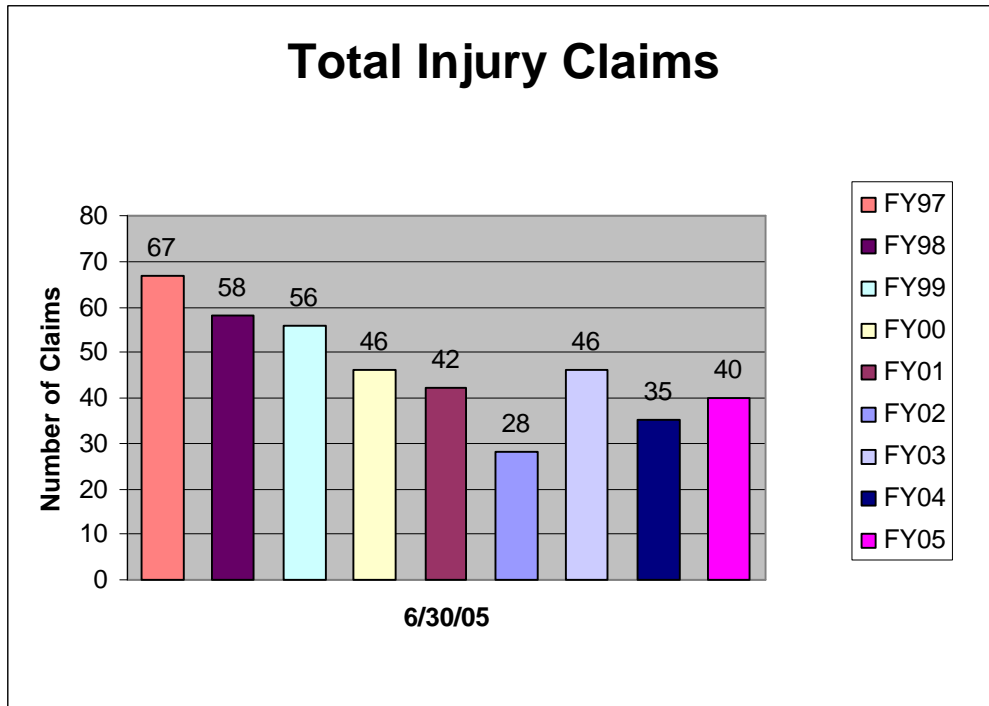
		Police	Fire	PW	Parks	Other	Total
Number of Claims	FY05	13	11	3	10	3	40
	FY04	15	7	3	9	1	35
	FY03	18	7	6	11	4	46
	FY02	14	4	3	6	1	28
	FY01	15	11	3	12	1	42
	FY00	9	10	13	13	1	46
	FY99	18	11	9	14	4	56
	FY98	21	11	8	12	6	58
	FY97	31	9	9	15	3	67
	FY96	30	17	8	19	2	76

WC RECORDABLE CLAIM TOTALS

PREVENTABLE INJURIES ONLY

Period Ending 06/30/05

		Police	Fire	PW	Parks	Other	Total
Number of Claims	FY05	7	5	2	10	3	27
	FY04	10	7	2	8	0	27
	FY03	7	6	6	11	3	33
	FY02	9	4	3	4	0	20
	FY01	11	9	3	12	2	37
	FY00	8	10	12	13	1	44
	FY99	10	9	9	13	4	45
	FY98	8	9	8	12	6	43
	FY97	10	7	9	14	3	43
	FY96	13	11	8	18	2	52



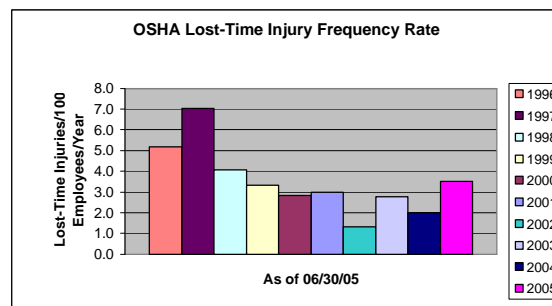
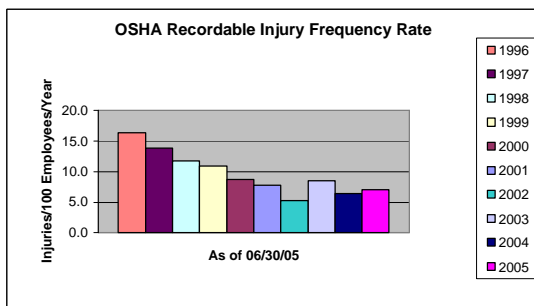
INJURY FREQUENCY RATES

OSHA Recordable Frequency

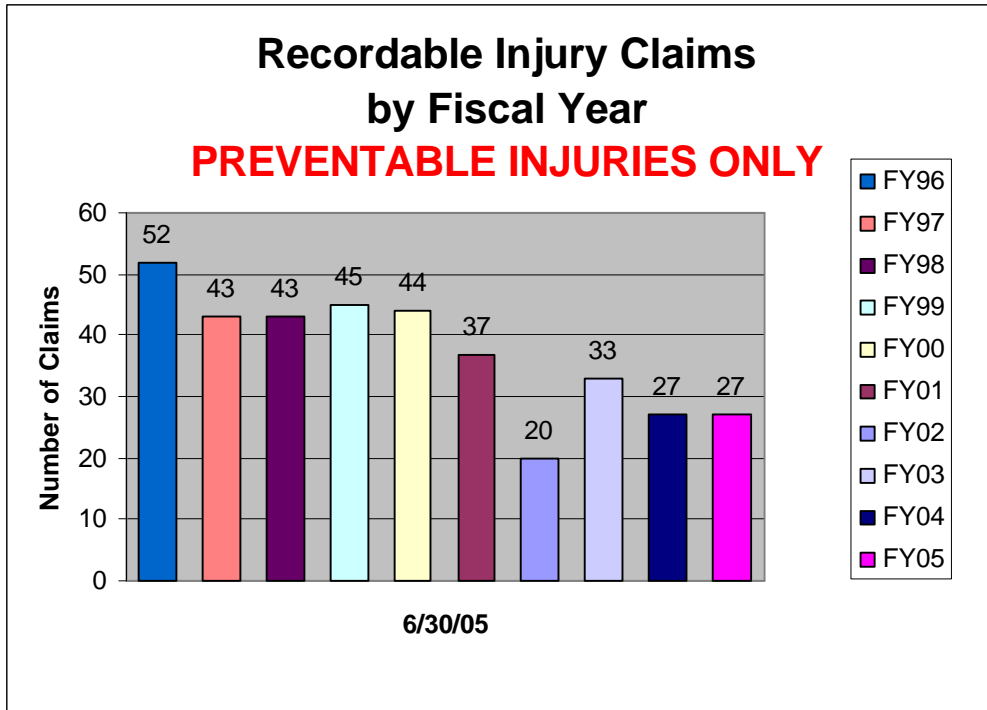
Fiscal	Police	Fire	PW	Parks	Other	Avg.
2005	8.8	6.8	4.8	8.2	3.9	7.0
2004	10.6	4.6	5.0	7.4	1.4	6.4
2003	12.7	4.6	10.7	9.0	5.9	8.6
2002	10.2	2.6	5.4	4.8	1.5	5.2
2001	10.9	7.3	5.5	9.4	1.5	7.8
2000	6.5	6.7	23.9	10.8	1.5	8.7
1999	13.1	7.6	17.7	12.1	6.3	11.0
1998	15.7	7.8	16.6	10.7	10.6	11.8
1997	22.5	6.7	19.4	13.8	5.4	13.9
1996	23.1	13.1	17.3	18.3	3.8	16.4

OSHA Lost-Time Frequency

Fiscal	Police	Fire	PW	Parks	Other	Avg.
2005	3.4	3.7	3.2	4.9	1.3	3.5
2004	3.5	1.3	1.7	2.5	0.0	2.0
2003	5.7	1.3	1.8	2.5	1.5	2.8
2002	2.2	0.7	0.0	1.6	1.5	1.3
2001	5.8	2.0	0.0	3.9	0.0	3.0
2000	4.3	2.0	1.8	4.1	0.0	2.8
1999	5.1	1.4	3.9	4.3	1.6	3.3
1998	3.0	4.3	4.1	4.5	5.3	4.1
1997	9.4	5.2	8.6	7.3	3.6	7.0
1996	3.8	6.1	8.7	4.8	3.8	5.2



OSHA Recordable cases do not include those injuries requiring only first-aid treatment.



INJURY FREQUENCY RATES

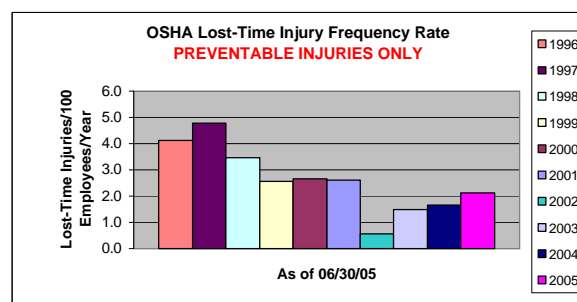
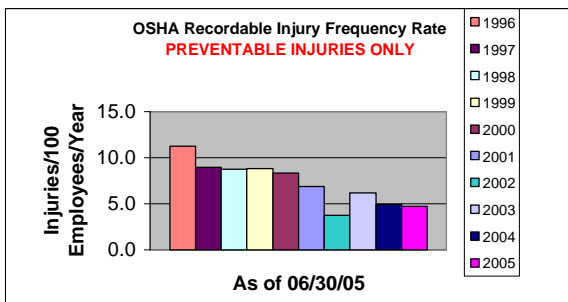
PREVENTABLE ONLY

OSHA Recordable Frequency

Fiscal	Police	Fire	PW	Parks	Other	Avg.
2005	4.8	3.1	3.2	8.2	3.9	4.7
2004	7.1	4.6	3.3	6.6	0.0	4.9
2003	5.0	4.0	10.7	9.0	4.4	6.1
2002	6.6	2.6	5.4	3.2	0.0	3.7
2001	8.0	6.0	5.5	9.4	3.0	6.9
2000	5.8	6.7	22.0	10.8	1.5	8.3
1999	7.3	6.2	17.7	11.3	6.3	8.8
1998	6.0	6.4	16.6	10.7	10.6	8.8
1997	7.2	5.2	19.4	12.9	5.4	8.9
1996	10.0	8.5	17.3	17.4	3.8	11.2

OSHA Lost-Time Frequency

Fiscal	Police	Fire	PW	Parks	Other	Avg.
2005	2.0	1.2	1.6	4.1	1.3	2.1
2004	2.8	1.3	1.7	1.6	0.0	1.6
2003	2.1	0.7	1.8	2.5	0.0	1.5
2002	0.0	0.7	0.0	1.6	0.0	0.6
2001	4.3	2.0	0.0	3.9	0.0	2.6
2000	3.6	2.0	1.8	4.1	0.0	2.6
1999	2.9	0.7	3.9	4.3	1.6	2.5
1998	0.7	3.5	6.2	4.5	5.3	3.5
1997	2.9	3.7	8.6	7.3	3.6	4.8
1996	1.5	4.6	8.7	4.8	3.8	4.1



OSHA Recordable cases do not include those injuries requiring only first-aid treatment.

Reporting Period: 07/01/04 - 06/30/05

**FISCAL 2005
INSURANCE COST ANALYSIS**
Reporting Period: July 1, 2004 - June 30, 2005

Type of Coverage	Deductible Amount/Claim	# of Incidents	Filed Claims	Annual Insurance Premium	Claim Costs				
					Paid By Carrier	Reserve set by Carrier (2)	Paid By City	City Cost (UPV/Incurred)	Total City Cost (3)
Workers' Compensation	\$100,000	94	40	\$170,051	\$0	\$0	\$56,967	\$338,407	\$508,458
Automobile Liability/Collision (4)	\$1000 (collision)	42	10	\$168,912	\$47,550	\$23,585	\$17,716	\$17,716	\$186,628
Property Damage	\$1,000	89	8	\$119,839	\$35,250	\$0	\$29,194	\$0	\$119,839
General Liability	\$0	N/A	6	\$161,641	\$0	\$0	\$0	\$0	\$161,641
Law Enforcement Liability	\$0	N/A	5	\$102,404	\$0	\$0	\$0	\$0	\$102,404
Public Official Liability	\$0	N/A	0	\$127,278	\$0	\$0	\$0	\$0	\$127,278
TOTAL			69	\$850,125	\$82,800	\$23,585	\$103,877	\$356,123	\$1,206,248

Additional Notes:

A 20% premium increase reflects additional exposure (new facilities, higher payroll, additional vehicles), and a hard market.

**FISCAL 2004
INSURANCE COST ANALYSIS**
Reporting Period: July 1, 2003 - June 30, 2004

Type of Coverage	Deductible Amount/Claim	# of Incidents	Filed Claims	Annual Insurance Premium	Claim Costs				
					Paid By Carrier	Reserve set by Carrier (2)	Paid By City	City Cost (UPV/Incurred)	Total City Cost (3)
Workers' Compensation	\$100,000	88	35	\$134,036	\$0	\$0	\$99,960	\$154,817	\$288,853
Automobile Liability/Collision (4)	\$1000 (collision)	55	15	\$149,994	\$53,505	\$210,683	\$15,521	\$15,521	\$165,515
Property Damage	\$1,000	44	8	\$90,091	\$27,552	\$27,200	\$21,063	\$0	\$90,091
General Liability	\$0	N/A	14	\$136,304	\$8,504	\$24,962	\$100	\$100	\$136,404
Law Enforcement Liability	\$0	N/A	0	\$91,879	\$0	\$0	\$0	\$0	\$91,879
Public Official Liability	\$0	N/A	0	\$105,730	\$0	\$0	\$0	\$0	\$105,730
TOTAL			72	\$708,034	\$89,561	\$262,845	\$136,644	\$170,438	\$878,472

Additional Notes:

--- 80% of WC year to year premium increase is due to a correction made in the way deductions were calculated (KLCIS error corrected). A \$20,000 credit was applied as a one-time deduction to help absorb the higher premium. The actual premium was \$166,088.

--- The remainder of WC increase is due to market influence and payroll.

--- All other lines of insurance to increased due to market influence and added payroll.

**FISCAL 2003
INSURANCE COST ANALYSIS**
Reporting Period: July 1, 2002 - June 30, 2003

Type of Coverage	Deductible Amount/Claim	# of Incidents	Filed Claims	Annual Insurance Premium	Claim Costs				
					Paid By Carrier	Reserve set by Carrier (2)	Paid By City	City Cost (UPV/Incurred)	Total City Cost (3)
Workers' Compensation	\$100,000	N/A	46	\$116,309	\$0	\$0	\$55,348	\$55,348	\$171,657
Automobile Liability/Collision (4)	\$1000 (collision)	37	8	\$117,163	\$6,195	\$0	\$8,527	\$8,527	\$125,690
Property Damage	\$1,000	42	7	\$75,310	\$639,417	\$0	\$14,592	\$14,592	\$89,902
General Liability	\$0	N/A	16	\$108,122	\$24,132	\$0	\$300	\$300	\$108,422
Law Enforcement Liability	\$0	N/A	2	\$75,197	\$3,900	\$3,139	\$0	\$0	\$75,197
Public Official Liability	\$0	N/A	0	\$80,341	\$0	\$0	\$0	\$0	\$80,341
TOTAL			79	\$572,442	\$673,644	\$3,139	\$78,767	\$78,767	\$651,209

Additional Notes:

--- WC premium estimates increased approximately 20%+ over prior year (5% payroll increase and 15% increase due to market influence).

--- Automobile Liability premium estimate increased approximately 5% due to newer fleet and slight premium increase.

**FISCAL 2002
INSURANCE COST ANALYSIS**

Reporting Period: July 1, 2001 - December 31, 2002

Type of Coverage	Deductible Amount/Claim	# of Incidents	Filed Claims	Annual Insurance Premium	Claim Costs				
					Paid By Carrier	Reserve set by Carrier (2)	Paid By City	City Claim Cost (UPV/Incurred)	Total City Cost (3)
Workers' Compensation	\$100,000	N/A	28	\$90,020	\$0	\$0	\$85,021	\$95,497	\$185,517
Automobile Liability/Collision (4)	\$1000 (collision)	45	9	\$110,861	\$69,649	\$0	\$17,206	\$17,206	\$128,067
Property Damage	\$1,000	54	8	\$67,879	\$17,225	\$0	\$17,654	\$17,654	\$85,533
General Liability	\$0	N/A	10	\$91,526	\$6,969	\$0	\$0	\$0	\$91,526
Law Enforcement Liability	\$0	N/A	3	\$76,837	\$49,083	\$0	\$0	\$0	\$76,837
Public Official Liability	\$0	N/A	2	\$32,308	\$4,732	\$0	\$0	\$0	\$32,308
TOTAL			60	\$469,431	\$147,658	\$0	\$119,881	\$130,357	\$599,788

Additional Notes:

- Increase in automobile liability/collision premium reflects coverage for additional vehicles in fleet.
- Increase in Property Damage premium reflects coverage for additional Fire Stations.

**FISCAL 2001
INSURANCE COST ANALYSIS**

Reporting Period: July 1, 2000 - June 30, 2001

Type of Coverage	Deductible Amount/Claim	# of Incidents	Filed Claims	Annual Insurance Premium	Claim Costs				
					Paid By Carrier	Reserve set by Carrier (2)	Paid By City	City Claim Cost (UPV/Incurred)	Total City Cost (3)
Workers' Compensation	\$100,000	N/A	42	\$87,284	\$0	\$0	\$92,645	\$110,281	\$197,565
Automobile Liability/Collision (4)	\$1000 (collision)	29	7	\$65,392	\$27,795	\$0	\$14,028	\$14,028	\$109,420
Property Damage	\$1,000	37	7	\$67,289	\$4,570	\$0	\$13,395	\$13,395	\$80,684
General Liability	\$0	N/A	8	\$90,685	\$5,391	\$0	\$0	\$0	\$90,685
Law Enforcement Liability	\$0	N/A	2	\$76,484	\$1,853	\$0	\$0	\$0	\$76,484
Public Official Liability	\$0	N/A	0	\$29,835	\$0	\$0	\$0	\$0	\$29,835
TOTAL			66	\$446,969	\$39,609	\$0	\$120,068	\$137,704	\$584,673

Additional Notes:

- An increase in automobile liability/collision premium reflects coverage for additional vehicles in fleet.
- An increase in Property Damage premium reflects coverage for additional Fire Stations.

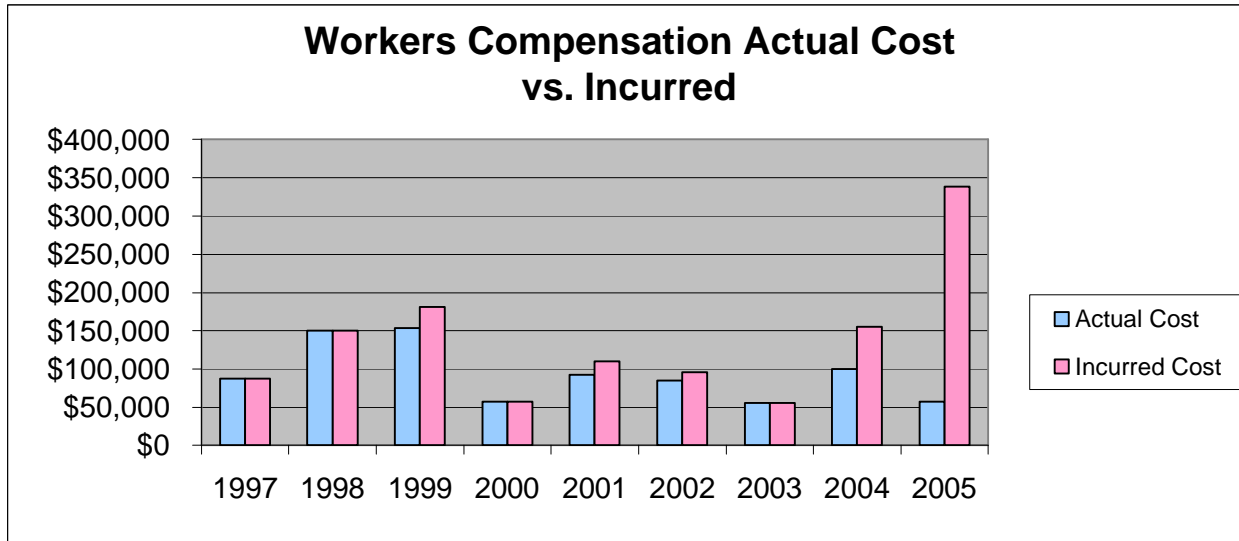
- (1) Cost/Incident or Cost/Claim does not include the annual premium.
- (2) Reserve Set by Carrier - The potential cost of claims that are currently active.
- (3) Incurred Cost to City (Including Premiums)
- (4) Vehicles of less than 3-years old are picked up on the collision and comprehensive insurance.
- UPV(Upper Potential Value) - The total potential cost of all open and closed claims, for a particular time period (same as incurred costs).

WORKERS COMPENSATION EXPENSES

Actual Costs Vs. Incurred Cost (UPV)

PERIOD ENDING 06/30/05

FY 2005		FY 2004		FY 2003		FY 2002		FY 2001						
Actual Cost	UPV	Actual Cost	UPV	Actual Cost	UPV	Actual Cost	UPV	Actual Cost	UPV					
Police	\$9,298.07	\$67,535.05	Police	\$19,321.89	\$21,060.55	Police	\$36,615.26	\$36,615.26	Police	\$12,183.30	\$12,183.30	Police	\$72,627.00	\$90,263.75
Fire	\$24,065.92	\$27,065.92	Fire	\$3,213.54	\$3,213.54	Fire	\$3,587.04	\$3,587.04	Fire	\$923.29	\$923.29	Fire	\$11,719.36	\$11,719.36
PW	\$6,100.47	\$103,089.77	PW	\$2,347.13	\$2,347.13	PW	\$4,107.11	\$4,107.05	PW	\$7,576.92	\$7,576.92	PW	\$1,130.12	\$1,130.12
Parks	\$11,775.31	\$124,560.69	Parks	\$66,885.52	\$120,004.54	Parks	\$9,678.39	\$9,678.39	Parks	\$9,813.29	\$9,813.29	Parks	\$6,633.36	\$6,633.36
Other	\$5,726.75	\$16,155.95	Other	\$8,191.96	\$8,191.96	Other	\$1,360.95	\$1,360.95	Other	\$54,524.90	\$65,000.00	Other	\$535.30	\$535.30
Total	\$56,966.52	\$338,407.38	Total	\$99,960.04	\$154,817.72	Total	\$55,348.75	\$55,348.69	Total	\$85,021.70	\$95,496.80	Total	\$92,645.14	\$110,281.89



"Actual" Cost represents money that has already been spent by the City.

"Incurred Cost (UPV)" represents the upper potential of claim values.

