

Insider

THE UTAH LOCAL GOVERNMENTS TRUST NEWSLETTER :: SUMMER 2014

Who's Calculating Your E-mod?



Steven A. Hansen
CEO

TO PROTECT TRUST MEMBERS & ENSURE THE LOWEST POSSIBLE PREMIUM, WE CALCULATE E-MODS FOR EACH MEMBER. HERE'S WHY...

In a recent edition of Property & Casualty 360, an industry watchdog, it was reported that over half of all employers (public and private) overpay workers compensation by as much as 15% to 50%, due to incorrect workers compensation surcharges. Surcharge is code for e-mod. Erroneous e-mod calculations have a direct impact on premium and cost public and private policyholders hundreds of millions of dollars every year. It's an incredible drain on an employer's bottom line that results in wasted dollars. In the public sector, wasted dollars steal public resources and make it difficult to provide needed services. That's why at the Trust, we take the time to develop, update, and audit e-mods for each member, every year. This tedious process is the only way to ensure that our members are saving as much money as they can.

Here's how it works. Your e-mod is a numerical number that compares your

expected loss performance to the expected loss performance of others in similar industries or sectors. It's the single biggest factor in calculating what you pay. If your e-mod is above 1.0, you're performing worse than expected and you pay more. If your e-mod is below 1.0, you're performing better than expected and you pay less. E-mods are calculated using three years of data and any mistake in the calculation has long-term financial impact. It's good management to know where your e-mod is and then to hold employees accountable and move in the right direction.

If you're not insured with the Trust or another carrier who takes the time to develop, update, and audit your individual e-mod, odds are you're paying more than you should in premium. The article reports that mistakes are frequent when a third-party is involved in the e-mod process. Further, the data is rarely if ever audited or corrected.

If your e-mod is being calculated by an outside provider, here are a few questions you may want to ask. I recommend you verify the answers you receive.

QUESTIONS TO ASK:

1. Do you know your e-mod score?
2. When was your e-mod audited - were errors corrected?
3. How much money are you leaving on the table?

Even if your e-mod is 1.0 or below, work to lower it by 10% and reduce your workers compensation premium by a corresponding 10%. Understanding your e-mod and driving down losses will ultimately cut costs and save premium dollars. It also signals a key performance measure in your organization that should be recognized.

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FLAG CAKE

2¾ C cake flour
 4 tsp baking powder
 ¾ tsp salt
 ¾ C butter, softened
 1½ C sugar, divided
 1½ C milk
 1 tsp vanilla extract
 1 tsp almond extract
 4 egg whites
 Blueberries
 Raspberries



Preheat ovens to 350 degrees. Grease and flour 11" x 17" pan. Sift together flour, baking powder, and salt three times. Set aside. Beat butter until smooth. Add 1 C sugar; cream together until light and fluffy. Add sifted ingredients alternately with milk, beating after each addition until smooth. Mix in flavorings. Beat egg whites until foamy. Add remaining ½ C sugar gradually; continue beating only until meringue holds up in soft peaks. Add egg whites to batter; mix thoroughly. Pour batter into pan. Bake for 30 minutes or until toothpick inserted in center comes out clean. Completely cool. Frost with cream cheese frosting. Decorate with blueberries in corner and rows of raspberries as stripes. Pipe stars onto blueberries with frosting, if desired.

Cream Cheese Frosting:
 1 8-oz cream cheese, softened
 ¼ C butter, softened
 3 C powdered sugar
 1 tsp vanilla extract

Mix together until smooth. Frost on cooled cake.

We Talk... the Trust Listens

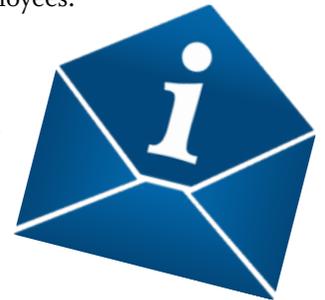


John Daniels
 Director HR/Risk Management
 Price City

One of the many things Price City appreciates about the Trust is they listen to our concerns as members. They consider each individual member in making decisions, finding solutions, and continuously improving products and services that benefit the majority of members.

At Price City we were excited to implement the new Insurance Information envelopes. The envelopes put in one consistent and recognizable place important vehicle documentation including instructions regarding accident reporting, certificates of insurance, and vehicle registration. The envelopes are large enough that we can add some of our own customized content. Regardless of the operator that day, the information is readily available. We distributed the envelopes by writing the unit number and department on each envelope and delivered them to supervisors for placement inside each assigned vehicle. We asked our safety committee and supervisors explain the white and maroon envelopes to employees.

One benefit we have already accrued from the placement process is the identification of three vehicles that are out of service or soon will be; and we have dropped them from our auto insurance coverage.



Thanks... For listening

Bear River Mental Health Services, Inc.

Beth Smith, Director of HR/MIS, was selected from a nationwide pool to present on the development and implementation of BRMH's risk management program at the Mental Health Corporation of America's winter conference in Clearwater Beach, Florida. As a result of her presentation, BRMH was selected as the Negley Award winner and Mrs. Smith was invited to present at the National Council's annual conference in San Diego, California in May, 2011. Bear River Mental Health accepted the award presentation at this conference and its Risk Management Program was highlighted as a model of excellence and an example of the center's continued commitment to managing high-quality services and the development of exemplary standards of care and accountability both within Utah and across the nation. Reed Ernstrom, President and CEO of Bear River Mental Health, said, "We were honored to receive the Negley President's Award recognizing Bear River Mental Health's high-quality risk management programs. The award also reflected our commitment to improving the lives of our employees and the more than 2,000 individuals we serve in Northern Utah."



The Negley Awards are a series of grants presented annually to provider organizations that demonstrate excellent management practices. In 1990, J.J. Negley Associates, Inc. established the Negley Awards to recognize mental health organizations with outstanding achievements in risk management.

What Are Your Expected Losses?



Travis Garton
Member Services
Manager

Workers compensation experience modification factors (e-mod) for Trust members range from 0.60 to 2.19. The e-mod calculation may seem complicated but can be simplified by analyzing expected versus actual losses.

From 2011 through 2013, Trust members were expected to have losses of \$9,540,952. However, actual incurred losses were \$10,198,860, resulting in a pool e-mod of 1.06. Expected losses are calculated by taking the payroll of each class code, dividing it by 100, and then multiplying it by the expected loss rate (ELR). The ELR is different for each class code and differs from state to state.

Statistically, if you have payroll, you are expected to have losses. The more risky the position, the higher the expected losses. Setting a goal of no losses might be unrealistic for some members, but trying to reduce expected loss dollars by 10 percent can be achievable.

Do you know what your expected losses are? If not, I would enjoy the opportunity to meet with you to discuss how we can set an attainable goal of reducing losses. The expected result would include reducing your e-mod and premium, while at the same time creating a safe work environment for your employees.

Growth Continues



Ryan D. Hatch
Membership
Development
Manager

In the 1970's and 1980's, governmental risk pools were formed in response to a hardening commercial insurance market. At the time, commercial carriers were no longer offering general liability protection for public agencies. Any available coverage was limited and costly. Today, public entity risk pooling is the standard insurance market for all types of local government. Of nearly 90,000 public entities nationwide, more than 85% have elected a governmental risk pool as their insurance partner.

The Utah Local Governments Trust is the premier insurance pool for Utah's local governments. Currently, the Trust partners with 215 cities, 12 counties, and 318 districts statewide. In fact, more than 100 new members have joined the Trust pool in the past five years – 36 in 2013, representing 22% growth. When asked why the Trust is the partner of choice, members shared the following responses:

- Member Owned and Governed
- No Restrictive Exit Requirements
- Joint Protection with Similar Risk Types
- Rate Stabilization
- Broad Coverage and Flexibility
- Member Equity
- Superior Claims Handling
- Training

As a partner, we recognize you have options and commit to offering broad coverage at sustainable rates.

Workers Comp Audits



Jody Pettet
Accounting
Manager

For those of you who are participating in our workers compensation program, there may be times when your estimated payroll amount is higher than your actual payroll amount. Because you've faithfully paid your premium to us timely, we'd like to return the favor. We'd like to issue you a check for the overpayment. The quicker you can get your audited payroll information into Member Services, the quicker we are able to send you a refund check, if one is due. That way, instead of having to wait for a credit to appear on the next billing cycle statement, you can deposit a check into your account to help with your budget needs.

As always, please feel free to contact Denise Fowler if you have any accounts receivable questions or concerns.





MVR Program



Doug Folsom
Loss Prevention Consultant

This last year the Trust has instituted a Motor Vehicle Record (MVR) Program. We currently are monitoring about 7,000 records for Trust members. This program has successfully identified drivers that shouldn't be driving as part of their work responsibilities. So far we have found over 70 drivers who didn't have valid licenses as well as others with extremely poor MVRs. Thanks to members' actions when becoming aware of these issues, as a group we have achieved a clean MVR rate of 85% compared to a national average of 70% for fleet drivers.

Facts to know when establishing your driver qualification standard is that only 15% of drivers in our MVR pool have any violations and only 0.5% have three or more. A clean MVR is the norm. Studies have determined that drivers with just two tickets in the prior three years have a 32% greater accident risk than a driver with a clean MVR. Drivers with two accidents (prior three years) have a 78% greater risk.

Efforts to manage this significant risk will prevent horrible PR, save time, money, and most importantly lives. For information and to receive monthly MVR reports, contact Jason, Doug, or Lance in the Loss Prevention Department.

jason@utahtrust.gov
doug@utahtrust.gov
lance@utahtrust.gov

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Academic research shows that workers compensation results are more responsive to management than any other line of insurance. This means that if your e-mod is heading in the wrong direction, you can do something about it and make a measurable difference. It boils down to leadership and holding people accountable.

Here is an example from our membership that shows the impact of the e-mod. Those with scores above 1.00 are paying more premium because their loss performance is worse than expected.

Going forward, members of the Trust will receive a quarterly e-mod report showing where you're at and how your losses stack up. Travis Garton, Manager of Member Services and Underwriting, along with his team, are responsible for developing, updating, and auditing e-mods for each member of the Trust. I invite you to contact Travis for a more in depth discussion around what your e-mod is, how it got there, and what you can do about it. Travis can also run a quick calculation that will tell you exactly what you're leaving on the table. You may be shocked.

Bottom-line, the better your results, the better your score, and the less you pay. Conversely, worse results produce a higher score and higher premium.

Let us help you develop your safety and accountability programs. We're partners in this effort. Your results impact all of us.

1.25 E-mod
25% Surcharge
\$18,075
More Premium

\$91,386

1.00 E-mod
0% Surcharge

\$73,109

.75 E-mod
25% Discount
\$17,733
Less Premium

\$54,832



UTAH LOCAL GOVERNMENTS TRUST

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BOARD OF TRUSTEES: **Joe Piccolo**, Chair; **Gary Hatch**, Executive Committee; **JoAnn Seghini**, Executive Committee; **Jeff Horrocks**, Executive Committee; **Blake Frazier**; **Dean Howard**; **Kent Sundberg**; **Russ Wall**; **Stephanie Miller**; **Todd Beutler**