


Port Jervis
SCHOOL DISTRICT

Lorelei Case
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To: Tom Bongiovi
Board of Education

From: Lorelei Case 

Date: May 19, 2017

Subject: TPA for Self-Insured Workers' Compensation – Marshall and Sterling

I recommend appointing Marshall and Sterling as the third party administrator for the district's 2017-2018 self-insured workers' compensation plan.

The fee for the 2017-2018 school year is \$12,000. The annual fee represents no increase from the current agreement.

This item has been placed on the June 6, 2017 agenda for approval.

Marshall & Sterling Company Background

Founded in 1864, Marshall and Sterling, Inc. is one of the nation's oldest insurance organizations. We are currently the 22nd largest privately held agency in the United States with annual premiums exceeding \$350 million. We currently have offices in 18 locations throughout New York State and 2 locations in the U.S. Virgin Islands.

The company's principal ownership rests with our employees through an Employee Stock Ownership Trust. We provide access to all lines of insurance coverages and products through contractual agreements with most all of the major insurance carriers and markets.

Marshall and Sterling Programs, Inc. is a wholly owned subsidiary corporation established in 1994 to handle specialty programs such as consulting services, risk management services, TPA services, loss control services, and alternative risk services. It is through this operating division that we propose these services to the Port Jervis City School District.

Past Successes for the Port Jervis City School District

Back in 2007 the district contracted with Marshall & Sterling to assist them in making the self-insured workers' compensation program more efficient and cost effective. This incorporated all aspects of the program including preparing a comprehensive RFP to review and select a Third Party Administrator (TPA), preparing an RFP for qualified companies to perform an actuarial study for the district, and to market the catastrophic excess workers' compensation insurance to ensure the district gets the best coverage for the lowest premium.

We are pleased to announce that our efforts have translated into both significant savings and a much more efficient self-insured workers' compensation program.

These successes have included:

- Combined premium savings of over \$75,000 in commissions and premium for the excess workers' compensation insurance compared to the policy that was in place prior to Marshall & Sterling taking over.
- Direct reimbursements from the Workers' Compensation Board to the district for Second Injury Fund claim reimbursements of over \$400,000.
- Reduced the number of Open Claims Pending
- Reduced Outstanding Reserves.

Proposal Overview

As mentioned prior, Marshall & Sterling has provided the Port Jervis City Schools with a unique solution to meet the regulatory and fiduciary demands that come with self-insurance. This program combined an extensive actuarial review with our expertise in the area of workers' compensation to create a program of specific services designed to make the district's program more efficient and cost effective.

Marshall & Sterling program will continue to provide the following services:

- Managing the placement of the Excess Workers' Compensation insurance at no commission.
- Coordinating the process for the review and selection of a Workers' Compensation Third Party Administrator (TPA).
- Coordinating the process for the review and selection of an actuarial firm.
- Conducting on-going reviews of all aspects of the district's self-insured worker' compensation program including claims analysis, actuarial reviews, interfacing with the selected TPA, cost projections and annual excess insurance placement.

Continuing to Manage the Placement of the Excess Workers' Compensation Insurance at Zero Commission

Marshall & Sterling will continue to coordinate the process of securing the excess workers' compensation insurance on behalf of the district. This will ensure the district is receiving the best quote available from the excess market place.

Marshall & Sterling will use our expertise and experience in excess workers' compensation to approach the market place and provide the quotations to the district directly. ***As stated prior, Marshall & Sterling does not accept any commission from any carrier for the placement of this coverage because this service is included in our standard fee.*** The savings to the district by having our firm place this coverage at no commission is over \$7,000 annually.

As we have always done, we will solicit quotes from at least 3-carriers and have them quote multiple coverage options to ensure the maximum benefit to the district. As mentioned prior, the cumulative savings on premium and commissions to the district compared to the premium paid for this insurance prior to our taking over have been in excess of \$75,000.

Coordinating the Process for Selection of a Workers' Compensation Third Party Administrator

Periodically the district desires to have an RFP for the TPA services to see what the market place is now offering. If the district wishes to do such an RFP we will again solicit proposals from qualified firms for these services. The district used the RFP which was developed by Marshall & Sterling to solicit these proposals. By conducting the RFP process we have been able to ensure that the district receives high quality TPA services at the most competitive price.

With respect to the RFP for the Third Party Administration Services Marshall & Sterling will provide the following services relating to this process:

- Developed the bid specifications for the RFP process taking into consideration the unique and specific needs of the Port Jervis City School District.
- Contacted qualified firms that are approved and licensed by the New York State Workers' Compensation Board as Third Party Administrators to respond to the RFP.
- Reviewed all proposals submitted to the district based on the services and experience of each bidder.
- Provided the district with an analysis of each proposal including the services provided and the costs relating to those services.
- Assisted the district as desired in the selection process.
- Continue to work with the TPA to make certain the program remains efficient and cost effective.

Coordinate the RFP Process for an Updated Actuarial Study

Actuarial studies are typically done every 2-years. Based on this schedule the district will need to have an updated study done following the 2010-11 fiscal year. Marshall & Sterling will provide the following services relating to the process of selecting an actuarial firm to perform the review of the district's self-insured program.

- Developed the bid specifications for the Request for Proposal (RFP).
- Identified qualified firms to send the specifications to.
- Reviewed the proposals received and provide the district with an analysis of each proposal.
- Assisted the district in the selection process through making recommendations based on services and cost.
- Interface with the successful firm and provide them with all the information they require to complete the actuarial study.
- Review the findings of the actuarial report with the district.

The scope of the actuarial services will include reserve analysis, loss projections and loss probability studies and cash flow analysis for the present claims and future potential claims.

Once the initial actuarial report completed Marshall & Sterling will meet with the district to review the finding of the report and will continue to work with the district regarding the recommendations of the actuarial firm concerning loss reserves and how to budget for them.

Again, as the district is required by the auditors to provide this actuary report we will assist in making sure this process is properly done.

On-Going Consulting Services

Marshall & Sterling will continue to provide the district with additional, on-going services to ensure that the programs implemented continues to perform in an efficient and cost effective manner.

We will provide the following continuing services.

- Review the internal procedures for reporting claims to the TPA and the Workers' Compensation Board to make certain claims are reported in a timely manner. This will ensure proper management and cost control tools are applied early in the life of the claim.
- Review and analyze the detailed loss runs and reports from the TPA to detect any claim trends that could have a negative affect on the program costs. Also review the accidents by type of injury, body part injured and location of accident to identify areas where loss control services would provide significant savings.
- Perform a review of high dollar claims and those that have potential for severity. Discuss the cost containment tools that should be applied to the claims to minimize their costs.
- Perform an analysis of recoveries from Special Funds (15-8, 25-A, etc.) to determine if the district is receiving the reimbursements from the Special Funds.
- Conduct Workers' Compensation Board assessment audits to certify their accuracy.
- Provide budgetary analysis and cost projections based on historical claims data. Also include cost components for WCB Assessments, TPA services and the excess insurance premiums.
- Manage the renewal process for the placement of the excess workers' compensation insurance as stated earlier in the proposal.
- Work with the selected actuarial firm to provide the district with the updated actuarial reviews for the self-insured program.
- Be available to meet with the district upon their request to discuss any aspects of our services or the self-insured program.
- Marshall & Sterling will also provide the district with around the clock availability through your 24/7 access to the Marshall & Sterling emergency message center.

Fee Proposal

Annual On-Going Workers' Compensation Consulting Services

Marshall & Sterling will continue to provide the services as described in our proposal. The fee will be billed on a monthly basis starting in July 2017.

| <u>Year</u> | <u>Consulting Fee</u> |
|-------------|-----------------------|
| 2017-18 | \$12,000 |

Note: The annual fee represents no increase from the current agreement.

References

Nugent and Haeussler, P.C.

Mr. Mark Levy
(845) 457-1100

North Shore Central School District

Ms. Olivia Buatsi, Assistant Superintendent for Business
(516) 277-7815

