

COMPCONTROL

The Official KMIT Member Newsletter

KMIT Lowers Rate

For the second straight year, **KMIT has lowered its rate** on workers compensation insurance. KMIT's **Loss Cost Multiplier** ('LCM'—the 'overhead' rate insurance companies, including pools, file with the Kansas Insurance Department) is being reduced by 9.2%, effective with the 2009 renewal quotes (as mentioned elsewhere in this edition, the 2009 quotes/invoices go out in early December). KMIT's 2009 LCM is 1.38 (the 2008 rate was 1.52).

Some individual **class code rates** (the cost of insurance per \$100 of payroll in each specific job type, as determined by the Insurance Department) went up (notably electric, fire and police), while others (such as water and wastewater) went down, and those rate changes affect different cities in different ways, given that the percentage of total payroll of each specific class code category can vary significantly from city to city. *These class code rate changes, alone, can result in any given city paying more, or less, for work comp in any given year.*

Two other key variables in the price of work comp insurance are: (1) each individual city's **Experience Modifier**, or 'mod'. The mod is a statistical risk factor determined by the 'NCCI' (National Council for Compensation Insurance), utilizing *each city's individual loss record* (both **number of** [or 'frequency'] and **cost of** [or 'severity'] injured-worker claims, over the most recent three-year period (for 2009, the years being analyzed are 2005, 2006 and 2007), and those years often tend to get more expensive over time, as additional costs are accrued by still-active claims; and, (2) each city's **estimated payroll for 2009**, by individual job type (class code). The more payroll, the more expensive the work comp cost; altered some by whether or not the state (class code) rate on each particular job went up or down.

Please contact KMIT if you have any question(s) about your work comp bill for 2009.



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CompControl is a publication of the League of Kansas Municipalities and the Kansas Municipal Insurance Trust for the purpose of educating and informing cities about loss control methods and risk management. If you have any questions concerning KMIT workers' compensation or risk management that you would like to see answered in this newsletter, please direct those inquiries to:

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Letter from the Pool Administrator

Dear KMIT Members and Others,

Happy Holidays, once again! Has it been a year since I last gave that greeting? Not possible... I trust this missive finds you all well, and, hopefully, solvent.

For those of you who missed our **KMIT Annual Meeting**, in Wichita in early October, you missed a fine time. And, we had about 150 or so folks there, representing over 50 KMIT member cities. **Jane Longmeyer** (Dodge City) was elected to the KMIT Board of Trustees, as **Howard Partington** (Great Bend) stepped down after six years on the job.

If it's early December (and it IS), then it's also **premium quote/invoice** time. Each year, the KMIT staff 'prices the pool' in late November, and mails out quotes for the upcoming year in early December. (The end of the year means that **KMIT has now been in business for FIFTEEN years.**) Premium invoices are due when received and considered past due after January 31, 2009. Let us know if you have any questions.

And, of course, the New Year means more than just a new start for KMIT, it also is when our partners at **The Audit Store** start contacting cities about payroll audits. This is an important process, so please make time for your auditor, even though January can be a hectic month for finance and payroll issues.

In this issue, our intrepid claims adjuster, **Victoria Vanderhoof**, explains how to read, and how to USE, the loss runs sent to each city on a quarterly basis. By studying and utilizing the loss runs, cities can have a better understanding of their own loss trends, and, perhaps, can make a positive **impact on reducing claims losses**.

Your KMIT Board also elected its new officers for the next year in October, and they are: President **Bud Newberry** (Derby), VP **Cheryl Beatty** (Eudora), and Treasurer **Sharon Brown** (Clay Center). And, as Immediate Past President, **Lana McPherson** (De Soto) stays on the Executive Committee for the upcoming year. The new officers start their year of service at the December Board meeting.

The **Big News** of the moment is that **KMIT lowered its rate** again (see story for details). Hopefully, the lower rate will help offset industry-wide increases due to seemingly endlessly-rising costs associated with **medical inflation**.

The KMIT Board meetings in 2009 are scheduled to be held in Clay Center (February), Osage City (April), Neodesha (June), Arkansas City (August), Topeka (at the LKM Conference, in October), and in Wichita (December).

Until next time...



Pool Administrator



The Payroll Audit Process

Early in the New Year (starting toward the end of January 2009), each KMIT member city will be contacted by a representative of *KMIT's contracted payroll audit firm, The Audit Store*. The purpose of that contact will be to arrange a time for the annual payroll audit to be conducted.

Every year, The Audit Store must conduct a detailed review (audit) of each KMIT member city's actual payroll for the just-ended year (in early 2009, the auditors will be reviewing the 2008 payroll). Work comp premiums are paid in advance, and are based on the estimated amount of payroll (by specific job classification) for the year being covered (in this case, 2008).

The payroll audit process determines the actual payroll, and then the insurance company (in this case, KMIT) and the covered company (in this case, each KMIT city) then 'settle up' the price of the insurance (one party writes the other a check for the difference between the estimated cost and the actual cost), based upon the difference between the amount of estimated and actual payroll of the city in the covered year.

About half of the KMIT cities (those with the smaller payroll sizes) will get a 'phone audit' (the auditor will do all of the work via phone and fax); the other half (or thereabouts) of our cities will get a 'desk' (or on-site) audit.

Each city should assign a specific knowledgeable staff member to assist the payroll auditor; preferably someone who has done this task before and/or someone who is familiar with the city's payroll accounting system.

Work Comp Tidbits...

Did you know the frequency of work comp claims tends to move with the business cycle? The number of claims actually tends to *go down* during downturns in the economy. Analysis shows that because of "last hired, first fired" during times of recession, skills levels of the remaining employees tends to be higher; thus, fewer work comp claims result.

Work comp *medical severity* (the medical treatment cost of claims) is outpacing 'medical inflation'? This means that the cost of treating work comp claims actually is increasing at a greater rate than medical inflation overall.

The nation-wide medical inflation rate is currently between 4.5% and 5%. Hospital costs are rising at the rate of about 6%. Medical inflation alone accounts for most of the increase in work comp rates.

The two primary 'drivers' in medical inflation are the costs of specialized examinations (such as MRIs) and the emergence of many new drugs, both of which are VERY expensive.

Our workforce is aging (mostly because of the sheer numbers of Baby Boomers), and injuries for older workers cost more to treat.

Interested in more information about what factors are involved in work comp costs?

Visit www.ncci.com.



Deciphering Your KMIT Loss Runs

By Victoria Vanderhoof,

Claims Manager-Insurance Management Associates

One of the keys to maintaining control over your organization's workers' compensation claims is being familiar with and carefully reviewing your quarterly loss runs. **KMIT Loss Runs are sent out quarterly** to each of our member cities—to the contact person you have designated (shortly following 3/31, 6/30, 9/30 and 12/31). You will receive a summary page that provides a year-over-year comparison of each year the City has been a member of the KMIT Pool, and, if there are any open claims, you will also receive a detailed listing of those claims. (If you do not receive a listing of open claims, give yourself a pat on the back—that means you do not have any open claims currently!) A careful review of this information can provide valuable information about how your 'performance' compares year-over-year, and whether any *trends are developing that can be addressed before premiums are negatively impacted*.

Open / Closed Summary by City, Policy Year

Valued as of: 10/01/2008

Policies from 01/01/1994 to 12/31/2008

City Of

Policy Year	Open				Closed		Total		
	Cnt	Net Paid	OS Reserve	Net Incurred	Cnt	Closed	Cnt	Net Incurred	Net Paid
2005	4	140,189.75	69,617.59	209,807.34	33	54,409.07	37	264,216.41	194,598.82
2006	1	59,020.84	5,479.16	64,500.00	28	6,621.94	29	71,121.94	65,642.78
2007	1	5,017.55	24,482.45	29,500.00	46	53,053.43	47	82,553.43	58,006.40
2008	12	71,381.95	75,268.05	146,650.00	7	14,626.41	19	161,276.41	86,008.36
	18	275,610.09	174,847.25	450,457.34	114	128,710.85	132	579,168.19	404,256.36

Before getting into specifics of the reports, I'll provide a brief tutorial of terms you will encounter when reviewing loss runs. In the claims world, we consider two main categories of claims: (1) *those that are currently 'open'*, and to which we anticipate making further payments; and, (2) *those that are resolved or 'closed'*, for which we do not anticipate any further payments being made.

When an injury is reported, a 'reserve' is established for that claim—this represents our 'best guess' at what the ultimate cost of the claim will be, based upon the information currently at hand. This number does vary over the life of a claim, as information is received that changes our valuation, but **the goal is to establish a reserve that will accurately reflect the ultimate total cost of the claim**. Loss runs typically divide dollar amounts into 'Paid' (monies that have already been paid), 'Reserves' or 'Outstanding Reserves' (the additional amount we anticipate spending over the life of the claim), and 'Total Incurred' (our estimation of the total lifetime cost of the claim, or the sum of what is paid and what we expect to pay in the future).

You may also encounter 'Collections', which would include any monies we have recovered for you in a subrogation claim, (situations where a third party is responsible for the injury to your employee, and we request reimbursement from that responsible party). The 'Valued as of' date is important to note, and simply means that these numbers are a snapshot of the dollar amounts on that particular date. **Reserves and payments change on a daily basis as your claims develop**, so this memorializes the specific date by which the data is provided.

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At the end of each quarter, you will receive a [Open/Closed Summary by City, Policy Year](#) page (shown on page 5) listing each year the City has been a member of the Pool, listing categories 'Open', 'Closed', and 'Total'. The first column is the policy year, and then the number of open claims for that policy year, amounts paid on those open claims, outstanding reserves on those open claims, and the total incurred for the open claims (a combination of the paid and outstanding).

The next grouping will be your closed claims, the number of, and amount paid for those claims. There is no outstanding reserve on the closed claims as we do not anticipate making any further payments. The final grouping is the total number of claims you experienced during that policy year (open and closed), the total dollar amount incurred for those claims, and the total paid on those claims. At this point, you should be comparing year-over-year to see whether there has been any increase in the frequency (number) or cost of your claims. **Frequency and severity are both factors in determining your experience modification**, from which your future premiums are derived. If an increase in the frequency and/or cost of claims is identified, this is an indicator that you might expect to see an increase in premiums. If a trend does not develop, it is time to identify and correct the reasons for the increase in frequency or cost of claims.

KMIT Loss Run

Standard Loss Run Report

Date Printed: October 2, 2008 At 16:41:16

Valuation Date: 12/31/2008

Type Loss Date	Claimant SSN/Driver Injury Diag./Event Desc.	Status Department SIR Ded. Body Part/Cause	Policy No. Date Reported Jurisdiction Litigation	Category	RESERVES		PAYMENTS		COLLECTIONS		TOTAL INCURRED	
					Current Period	Balance To Date	Current Period	Paid To Date	Current Period	Collected To Date	Current Period	Total To Date
Facility: City Of [REDACTED]												
2005024881 LT 06/27/2005	[REDACTED]	Open Street 0.00	KMIT2005 06/27/2005 KS/No	Expense	60.40	60.40	939.60	939.60	0.00	0.00	1,000.00	1,000.00
				Indemnity	8,134.23	8,134.23	11,865.77	11,865.77	0.00	0.00	20,000.00	20,000.00
				Medical	23,983.30	23,983.30	16,016.70	16,016.70	0.00	0.00	40,000.00	40,000.00
				Recovery	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
				***** Claim Totals	32,177.93	32,177.93	28,822.07	28,822.07	0.00	0.00	61,000.00	61,000.00

The second report you will receive is the [Standard Loss Run](#)—a detailed listing of open claims. To the far left, you will see the [claim number](#); a notation as to whether the claim is Medical Only (M), meaning no wages are to be paid, just medical treatment, or [Lost Time \(LT\)](#) meaning we anticipate paying either wages or a permanent impairment rating; and the date of injury. Following that is the employee's name and the [type of injury](#), the [cause of the injury](#), and a [brief accident description](#). The next column indicates the [open status](#), and the [department](#) where the employee works.

If you find that I have coded the employee to the wrong department, please let me know so I can correct it in the system. It is sometimes difficult to tell from the accident reports what department the employee works in, so I give it my best shot, but don't always get it right!

Again, this is where you can detect trends regarding increases in injuries in specific departments, or increases in specific types of injuries for which you might need to provide additional training. For example, if you identify an increase in the number of back injuries from lifting, you should consider providing additional training on safe lifting techniques.

You will see a [policy number](#), [date reported](#), and [jurisdiction](#). The financial data follows here, again broken down into outstanding [reserves](#), [payments made](#), [collections](#), and [total incurred](#), on each of the specific claims.

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NEWS & NOTES



Meet Jane Longmeyer: New KMIT Trustee

Jane was elected to her first two-year term as a Trustee on the KMIT Board at the recent KMIT Annual Meeting in Wichita. She has been employed with the City of Dodge City since September 28, 1987.

Jane began her career as Executive Secretary to the City Manager, and eventually served as Executive Director of the recycling/Keep Dodge City Beautiful program. She currently serves as Human Resource Officer.

Jane is a 2006 graduate of Friends University.

KMIT Premium Quotes Due Out Soon

Quotes (and invoices) for KMIT work comp coverage beginning on January 1, 2009 are **due out by December 10**. Your current coverage period expires at midnight on December 31, 2008. The KMIT **invoice is due and payable-in-full when received**, and considered past due after January 31, 2009. Some member-cities are budgeted to pay this bill in the current year, while others pay early in the New Year each time around; either is okay with KMIT.

Prompt payment insures that your city's employees are covered for job-related injuries on schedule, and that no gaps in coverage are possible. Please note that the invoice instructs each city to mail payment to our KMIT lockbox at our bank (UMB). *Please do not send the check to the KMIT (League) office.*

If you have ANY questions about your KMIT invoice, please contact KMIT Office Administrator Deanna Myers, at dmyers@lkm.org or 785-354-9565.



Decipher Losses

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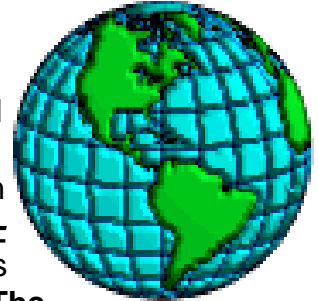
An awareness of the types of injuries employees are experiencing, and the causes of those injuries gives you valuable tools to shape your safety and loss prevention program. Understanding and reviewing loss runs on a regular basis and identifying trends are key components of your loss prevention program. For specific questions about loss runs, please contact Victoria Vanderhoof, KMIT Claims Adjuster. She can be reached at 1-800-288-6732, victoria.vanderhoof@imacorp.com. For questions about addressing trends you identify, please contact Renee Rhodes, KMIT Risk Control Consultant, 316-266-6345, renee.rhodes@imacorp.com

KMIT Regional Supervisor Training '09 'World Tour'

The KMIT Regional Supervisor Training Tour resumes in **Wamego** on February 5, 2009, and moves on from there, with gigs in **Osawatomie** (February 12), **Wellington** (February 26), and **Ellsworth** (March 5). All the trainings start at 1:00 p.m. and end no later than 4:15 p.m.

The seminars are intended for all supervisors of the city's organization, at ALL levels, from forepersons to department heads, to city clerks and administrators and managers, and for all departments of the city.

The seminar is about how to manage your work comp program, from the bottom to the top, and is not about safety. **This is training that supervisors just don't get anywhere else.** This seminar is 'top notch', and is presented by a team of folks who have been doing this for a long time. **The subject is work comp**, and covers a wide array of issues related to work comp—from hiring the right person for the right job, to how to manage claims (what the supervisor and city can do to help) and how to detect fraud (and a lot of other stuff). Detailed brochures will be distributed via e-mail and U.S. Mail, early in 2009.



These training sessions are open to all LKM cities, and are especially relevant to KMIT member cities. The cost is minimal: \$25 per person for KMIT-city employees and \$30 for others.

Please plan to send as many supervisors as possible—**each individual supervisor needs to know this.** For more information, contact KMIT Office Administrator Deanna Myers, at dmyers@lkm.org or 785-354-9565.

SAFE CITIES as of November 30, 2008

If you would like assistance returning an injured employee to work, or need ideas for modified duty, please contact Victoria, 1-800-288-6732 or kmitclaims@imacorp.com.

Abilene	Centralia	Esbon	Hesston	Montezuma	Satanta
Admire	Chautauqua	Eudora	Hillsboro	Mound City	Sedgwick
Allen	Cheney	Florence	Holcomb	Neosho Rapids	Sharon Springs
Altamont	Cherryvale	Ford	Jetmore	Ogden	Spearville
Andale	Clay Center	Fowler	Johnson City	Olpe	Spring Hill
Andover	Concordia	Frankfort	Kingman	Osawatomie	Stafford
Atlanta	Conway Springs	Fredonia	Kinsley	Oskaloosa	St. Francis
Baldwin City	Council Grove	Galena	Lecompton	Oswego	Tampa
Basehor	Cullison	Glasco	Lenora	Ozawkie	Tescott
Baxter Springs	Damar	Glen Elder	Leoti	Palco	Tipton
Belleville	De Soto	Grainfield	Maize	Park City	Treece
Bennington	Douglass	Greeley	McFarland	Peabody	Ulysses
Beverly	Eastborough	Grenola	Medicine Lodge	Princeton	Valley Center
Bird City	Edgerton	Grinnell	Melvorn	Ramona	WaKeeney
Bonner Springs	Edwardsville	Hamilton	Minneapolis	Ransom	Wakefield
Brewster	Elkhart	Hartford	Mission	Reading	Walton
Caldwell	Ellsworth	Hays	Moline	Rose Hill	Wellsville

KMIT Calendar

December

12 KMIT Board of Trustees Meeting, *Eudora*

February 2009

5 Regional Supervisor Seminar, *Wamego*

6 KMIT Board of Trustees Meeting, *Clay Center*

12 Regional Supervisor Seminar, *Osawatomie*

26 Regional Supervisor Seminar, *Wellington*

March 2009

5 Regional Supervisor Seminar, *Ellsworth*

April 2009

17 KMIT Board of Trustees Meeting, *Osage City*

KMIT Balance Sheet as of Oct. 31, 2008

Combined Assets

Cash In Bank	\$ 833,697
Investments	6,500,000
Other Assets	<u>648,773</u>
Total Assets	\$7,982,469

Combined Liabilities & Equity

Accrued Expenses Outstanding	\$2,148,103
Reserved for Losses	2,301,226
Incurred But Not Reported (IBNR)	2,511,923
Other (IBNR) Adjustments	(661,381)
Total Liabilities	<u>6,299,871</u>
KMIT Statutory Fund Balance	<u>1,682,598</u>
Total Liabilities and Equity	\$7,982,469

Kansas Municipal Insurance Trust

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Topeka, KS 66603

