



# MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

*Rely on us.*

TO: Commissioners Simpson, Brown, Helgeson, Manning and Mital  
FROM: Mark Maguire & Sherry Schumacher, EWEB Safety & Health Team Members  
DATE: February 16, 2016  
SUBJECT: Safety Performance and Workers Compensation Savings  
OBJECTIVE: Information Only

---

## **Issue**

We are excited to share how workplace safety and health efforts and consistently low injury rates have resulted in a dramatic premium savings on our Workers Compensation Insurance. As a result of reduced workplace injuries, EWEB has achieved an Experience Rating Modifier (ER Mod) of .65. This is a remarkable accomplishment that translates into a 35% premium discount over the average policyholder with a 1.0 ER Mod, saving EWEB an estimated \$160,000 in insurance costs for 2016. EWEB now places in the top 2% of our insurance carrier's "book of business" representing over 46,000 Oregon employers. Refer to the attached *Workers Compensation Insurance 2016 Renewal Summary (Nov 2015)*.

## **Background**

EWEB has been refining and building a best practices safety program for nearly 15 years. Back in 2002 our safety record was substandard, there was concern over workplace injury rates, and insurance rates were high. In response to this concern, the Safety Working Group (SWG) was formed that includes managers of high exposure workgroups in the utility, as well as safety & health team representatives. The purpose of SWG is to add a level of management support and oversight to safety program initiatives designed to improve organizational safety practices, reverse injury trends, and emphasize prevention measures. In the early 2000s, EWEB averaged about 40 OSHA recordable injuries annually. That figure has now stabilized at under 20/yr.

## **Discussion**

The success of our safety program is based on multiple factors--quality safety trainings, intensive accident review efforts, pre-job tailboard meetings, improved ergonomic tools and equipment, etc. Examples of prevention programs to support employee wellness include early intervention nursing and physical therapy services, health screenings, and stretching programs. The final piece of the puzzle is aggressive claims management efforts to ensure that injured workers receive prompt medical care and are back to work at the earliest opportunity.

The utility has received numerous safety awards over the past several years, and we have reached the maturity level of a best practices safety program. Safety is embedded in our culture and is truly institutionalized in our business operations – safety is no longer “what we do”, it’s “who we are”. And more important is the number of employees returning home safely to their families each day.

# Workers Compensation Insurance 2016 RENEWAL SUMMARY

EWEB's safety and prevention efforts continue to make remarkable impacts to our workers compensation program. Our strong focus on keeping workers safe, reduced injuries, and proactive claims management strategies have created a perform storm for cost savings when combined with insurance rate reductions in the state of Oregon.

Based on estimated 2016 payrolls, our insurance renewal figure for a fully insured plan is \$258,336 – almost a historical record, and a figure we haven't seen since 2000 when payrolls were 40% lower than they are today. Highlights below:

- ✓ **Managing losses** – we are positioned to achieve our lowest ever claim frequency with **only 15 claims filed** as of 11/19/15. While celebrating fewer injuries, there is cautionary mention on **claim severity** with 5 injuries (including 3 backs) representing 94% of incurred costs.
- ✓ **Experience Rating Modifier (ER Mod)** – our **ER Mod dropped from .71 to .65 in 2016**. This is an all-time low, beating our previous record mod rate of .67 in 2010. SAIF has provided a breakdown of their policyholder Mod Rates, and **EWEB ranks in the top 2%** of all accounts (see reverse).
- ✓ **Insurance Rates Continue to Decline** – -- Oregon has been ranked 9<sup>th</sup> for low work comp insurance in the nation, with rates dropping the last 3 yrs in a row. Oregon employers continue to embrace safety management efforts to prevent injuries, causing **premium rates to drop another 5.3%** in 2016. **All of EWEB's (4) class code rate categories declined in 2016.**
- ✓ **Group Discount** – EWEB continues to benefit from the public employer group discount, although based on market factors it was adjusted from 8% in 2015 to **4% in 2016.**
- ✓ **We retain the best possible pricing from SAIF** – EWEB continues to receive **“select” rate tier pricing** from SAIF. SAIF underwriters closely monitor EWEB's loss control programs and performance. Our commitment to workforce safety and health rewards us with the lowest premiums available. Our insurance costs and claim history is summarized below:

YEAR	PRORATED PREMIUM	INCURRED LOSSES	# CLAIMS	AVG CLAIM COST	ER MOD
2011	506,229	437,594*	26	16,830	.76
2012	474,903	66,494	19	3,499	.76
2013	465,918	67,732	18	3,762	.83
2014	375,127	161,275*	23	7,011	.71
2015 YTD	267,245	126,111	15	8,282	.71

2013-2015 will be the 3 yr look back period for 2017 insurance

\*High dollar claims include \$320K in 2011 & \$123K in 2014.

## CARRIER QUOTES

Other insurance carriers will only bid if EWEB is seriously considering a move from SAIF. SAIF remains the market leader in workers compensation in Oregon, insuring approximately half of Oregon employers with over a 99% retention rate. EWEB continues to receive competitive pricing and substantial dividend payouts from SAIF annually, approaching \$1 million since 2010.

<b>SAIF Dividend History</b>	Year	Amount
	2015	\$ 85,004
	2014	\$161,627
	2013	\$140,761
	2012	\$189,431
	2011	\$170,695
	2010	\$232,276
	<b>Total</b>	<b>\$979,794</b>



## RECOMMENDATION

Renew on a fully insured plan with SAIF Corporation. The cost of workers' compensation insurance remains extremely affordable, especially when you consider the offsetting dividend reimbursements. EWEB we can purchase a no-risk plan for \$258K. EWEB will also renew the supplemental “out of state” policy for \$740 to ensure employees who may travel to non-reciprocating states have coverage.

# SAIF Policyholders 2015 ER Mod Rate Breakdown

