

COUNTY COUNCIL OF BEAUFORT COUNTY
ADMINISTRATION BUILDING
BEAUFORT COUNTY GOVERNMENT ROBERT SMALLS COMPLEX
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JOSHUA A. GRUBER
DEPUTY COUNTY ADMINISTRATOR

THOMAS J. KEAVENY, II
COUNTY ATTORNEY

ASHLEY M. BENNETT
CLERK TO COUNCIL

AGENDA FINANCE COMMITTEE

Monday, March 6, 2017

2:00 p.m.

Executive Conference Room, Administration Building
Beaufort County Government Robert Smalls Complex
100 Ribaut Road, Beaufort

Committee Members:

Jerry Stewart, Chairman
Michael Covert, Vice Chairman
Rick Caporale
Gerald Dawson
Brian Flewelling
Steven Fobes
Stu Rodman

Staff Support:

Suzanne Gregory, Employee Services Director
Alicia Holland, CPA, Assistant County Administrator, Finance
Chanel Lewis, CGFO, Controller

1. CALL TO ORDER – 2:00 P.M.
2. CONSIDERATION OF A RESOLUTION AUTHORIZING BEAUFORT COUNTY TO SELF-INSURE WORKER'S COMPENSATION PROGRAM ([backup](#))
3. CONSIDERATION OF CONTRACT AWARDS
 - A. Beaufort County Boat Landing Dock and Pier Repairs ([backup](#))
 - B. 2017-2018 Worker's Compensation Broker Services (Fully Insured vs. Self-Insured) ([backup](#))
4. PRESENTATION / MILITARY ENHANCEMENT COMMITTEE
5. CONSIDERATION OF REAPPOINTMENTS AND APPOINTMENTS
 - A. Board of Assessment Appeals
6. EXECUTIVE SESSION
 - A. Discussion of negotiations incident to proposed contractual arrangements
7. ADJOURNMENT

RESOLUTION 2017 / __

**RESOLUTION AUTHORIZING BEAUFORT COUNTY TO SELF-INSURE
WORKER'S COMPENSATION PROGRAM**

WHEREAS, Beaufort County's Worker's Compensation Program is currently fully insured through the South Carolina Association of Counties; and

WHEREAS, Beaufort County has studied and evaluated the advantages and disadvantages of converting from a Fully-Insured Worker's Compensation Program to a Self-Insured Worker's Compensation Program; and

WHEREAS, a Self-Insured program allows an organization such as Beaufort County to pay its own losses through a combination of self-insured retention, buffer layer coverage and an excess layer of coverage; and

WHEREAS, Beaufort County has concluded that the potential cost savings benefits of a Self-Insured Worker's Compensation Program is considerable; and

WHEREAS, Beaufort County has further concluded, after carefully considering the advantages and disadvantages of both approaches, that it is in the best interest of Beaufort County, its residents and its employees to change from a Fully-Insured Worker's Compensation Program to a Self-Insured Worker's Compensation Program.

NOW, THEREFORE, BE IT RESOLVED, by the County Council of Beaufort County, South Carolina, that effective FY 2018 Beaufort County will self-fund its Worker's Compensation Program and the Beaufort County Administrator is hereby authorized to execute and enter into the agreements necessary to transition to a self-funded plan and to enter into all other ancillary and incidental agreements necessary to implement the self-funded plan as presented by representatives of Arthur J. Gallagher & Co. to the Finance Committee during its meetings of February 6, 2017 and March 6, 2017.

Adopted this ____ day of _____, 2017.

COUNTY COUNCIL OF BEAUFORT COUNTY

By: _____

D. Paul Sommerville, Chairman

APPROVED AS TO FORM:

Thomas J. Keaveny, II County Attorney

ATTEST:

Ashley Bennett, Clerk to Council



**COUNTY COUNCIL OF BEAUFORT COUNTY
BEAUFORT COUNTY ENGINEERING DEPARTMENT
104 Industrial Village Road, Building #3, Beaufort, SC 29906
Post Office Drawer 1228, Beaufort, SC 29901-1228
Telephone: 843-255-2700 Facsimile: 843-255-9420**

TO: Councilman Jerry Stewart, Chairman, Finance Committee

VIA: Gary Kubic, County Administrator *GKubic*
 Josh Gruber, Deputy County Administrator
 Alicia Holland, Assistant County Administrator for Finance *AH*
 Dave Thomas, Purchasing Director *DT*

FROM: Robert McFee, PE, Division Director for Construction, Engineering & Facilities *JRMcFee*

SUBJ: **Beaufort County Boat Landing Dock & Pier Repairs – IFB #020717E**

DATE: February 20, 2017

BACKGROUND. As a result of damage from Hurricane Matthew, Beaufort County advertised for competitive bids for repairs at the following 11 County boat landing docks and piers.

- | | | |
|-------------------------------|-------------------------------|---------------------------------|
| Alljoy Boat Landing Dock | Bluffton Public Dock/Pier | Buddy & Zoo Boat Landing Dock |
| C.C. Haigh Boat Landing Dock | Cross Is. Boat Landing Dock | Daufuskie Is. Boat Landing Dock |
| Edgar Glenn Boat Landing Dock | H. E. Trask Boat Landing Dock | Sam's Point Boat Landing Dock |
| Whale Branch Fishing Pier | White Hall Boat Landing Dock | |

Attachment #1 provides the scope of work and location address for each facility listed above.

On 2/7/17, one contractor submitted a bid.

Patterson Construction Inc., Beaufort SC	Total Bid:	\$188,996.10
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An analysis of Patterson Construction's bid prices revealed no apparent cause for rejecting their bid. Therefore, Patterson Construction, Inc., is the certified responsible/responsive bidder. Therefore, it is recommended that the subject bid be awarded to Patterson Construction, Inc., in the amount of \$188,996.10. Staff is requesting a 10% project contingency of \$18,900. Total project budget is \$207,896.

AA **FUNDING.** The Engineering Department is requesting that funding be provided from County Local Accommodations Tax (Local A Tax) with an unobligated available fund balance of \$1.5 million at February 15, 2017. Insurance claim for the damages are being processed by the County's Risk Manager and would be applied to the project's expenditures. Additionally, any applicable costs not covered by insurance would be submitted to FEMA for reimbursement.

FOR ACTION. Finance Committee Meeting on March 6, 2017.

RECOMMENDATION. The Finance Committee approve and recommend to County Council approval of:

- 1) a contract award to Patterson Construction, Inc., for the construction repair of the various docks and piers listed in IFB #020717E in the amount of \$188,996.10 and;
- 2) the use of Local A Tax for the project budget of \$207,896 which includes a 10% contract contingency.

JRM/AA/mjh

- Attachments: 1) Scope of Work and Location Listing
 2) Damage Photos

Contract/Dock/PierRepair/FinApp

SCOPE OF WORK – DOCKS & PIER REPAIRS IFB #020717E

1. SCOPE OF WORK

- a. Provide all material, equipment and labor as required to complete the work.
- b. Provide all modifications to the existing docks, piers and boat landings, necessary to complete the repair and/or replacements listed herein.
- c. Along with submission of the proposal form, provide a separate document giving a description of the work at each location. Include quantities, sizes and manufacturers as applicable to accurately described the repairs included in your proposal.
 - i. Exhibit B – Photos of damage. This exhibit shows the general nature of damage to docks and boat landings, but is not intended to be a complete summary of repairs needed.
- d. **Alljoy Boat Landing – May River.**
 - i. Replace missing floats.
- e. **C. C. Haigh Jr. – Mackay Creek.**
 - i. Replace 50' X 12' floating dock and 10' X 12' floating gangway platform.
 1. Design shall be based on internal guides in lieu of existing external guide design.
 - ii. Remove and properly dispose of the existing floating dock and gangway platform.
 - iii. Salvage and reinstall the 70' X 6' aluminum gangway. Clean, modify and/or repair as necessary for a complete installation.
 - iv. Replace missing sections of fixed pier railings. Railing to match existing. Modify and/or repair existing railing sections to provide transition and connection of new railings.
- f. **Cross Island Boat Landing – Broad Creek.**
 - i. Removal of rip rap and geotextile fabric (if present) as required to perform the work.
 - ii. Removal and proper disposal of asphalt where subgrade has failed. Sawcut to the limits of removals.
 - iii. Removal and proper disposal of concrete curb where subgrade has failed and curb has pulled away from asphalt pavement.
 - iv. Re-establish compacted fill suitable for support of new curb and pavement.
 - v. Provide new concrete curb and asphalt pavement.
 - vi. Reinstall geotextile fabric and rip rap along effected slope. Supplement rip rap if necessary for a complete project.
- g. **Daufuskie Island Boat landing – New River.**
 - i. Replace missing transition plate from gangway to floating dock.
 - ii. Repair or replace broken members of dock structure (mid-dock).
 - iii. Re-anchor a bolt were concrete has broken off at transition plate from gangway to fixed pier.
- h. **Edgar Glenn – Chechessee River.**
 - i. Re-level groundout dock at shoreline.
 - ii. Re-attach transition plate from floating to concrete dock.
- i. **H. E. Trask, Sr. – Colleton River.**
 - i. Replace missing end section of floating dock. New section of floating dock to match existing. Modify/repair end section of existing dock to provide transition and connection of new dock section.
 - ii. Repair broken guides on existing sections of dock.
- j. **Sam's Point – Lucy Point Creek**
 - i. Replace missing roller guides.

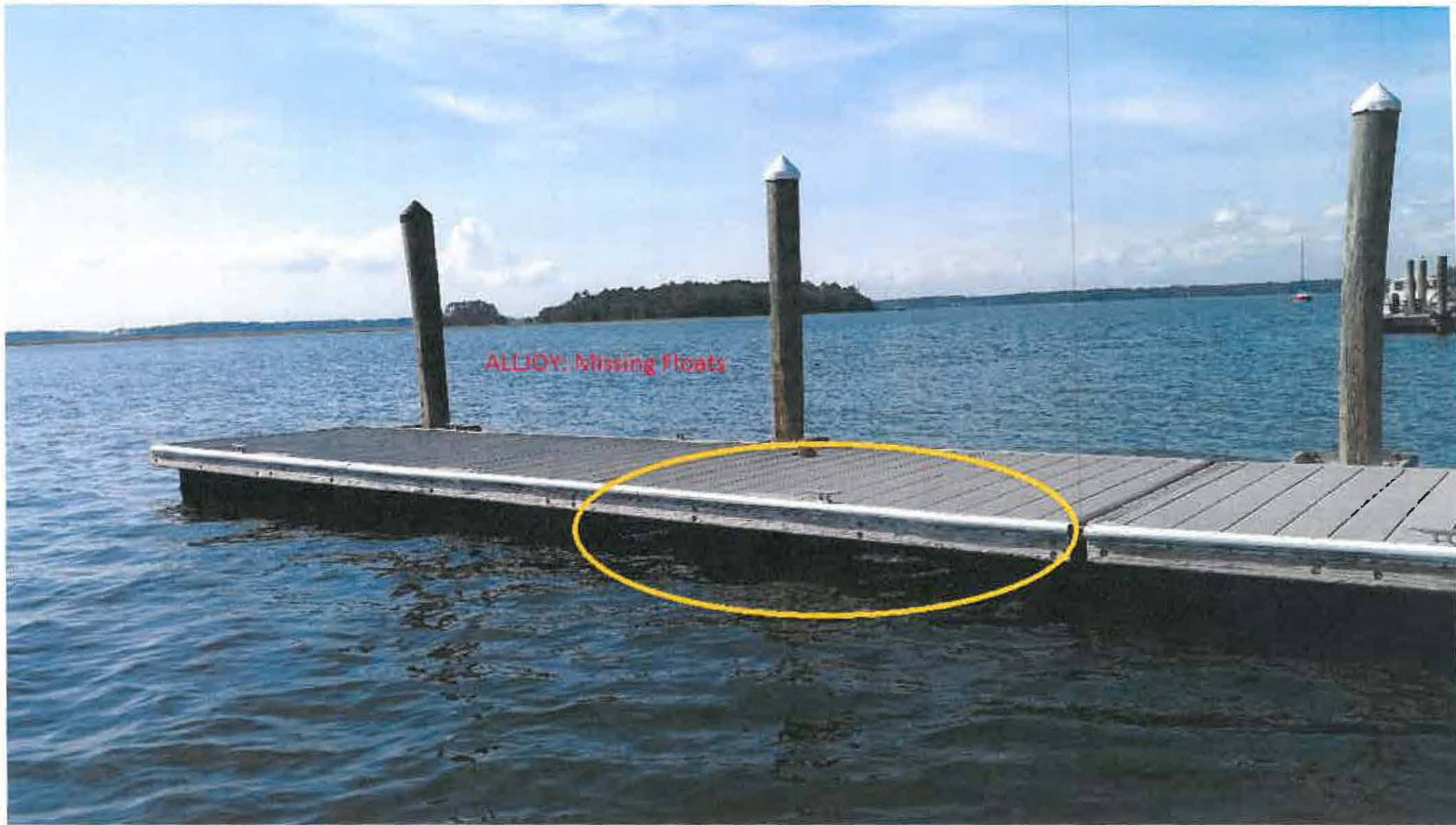
- ii. Repair (cracked welds) or replace transition plate from fixed to floating dock.
- k. **Buddy and Zoo Boat Landing – Station Creek.**
 - i. Replace missing floats.
 - ii. Repair or replace broken guides.
- l. **Steel Bridge Boat Landing – Combahee River. ADDENDUM #1 DELETED**
 - i. ~~Replace missing transition plate to floating dock.~~
- m. **White Hall Boat Landing – Factory Creek.**
 - i. Replace missing floats.
- n. **Bluffton Public Dock – May River.**
 - i. Replace missing section of railing. Railing to match existing. Modify/repair existing railing sections to provide transition and connection of new railing.
- o. **Whale Branch Fishing Pier – Whale Branch.**
 - i. Repair washout and rip rap on both sides of embankment.

Date: January 23, 2017

ADDENDUM #1
Beaufort County Docks and Boat Landings Repairs
IFB # 020717E

Scope of Work Modifications

1. Instruction to Bidders and Scope of Work
 - a. **Bluffton Public Dock (May River)**
 - i. Add transition plate from gangway to floating dock.
 - b. **Edgar Glenn (Chechessee River)**
 - i. Omit line item to re-attach transition plate from floating dock to concrete dock. *This work has been completed.*
 - c. **H. E. Trask (Colleton River)**
 - i. Omit first sentence "Replace missing end section of floating dock. New section of floating dock to match existing".
 - ii. End section of floating dock has been located and will be transported by Beaufort County to a location near the dock and anchored. Contractor will repair and refurbish this section of floating dock as necessary to re-attach to existing dock and guide piles.
 - d. **Steel Bridge Boat Landing (Combahee River)**
 - i. Omit line item to replace missing transition plate to floating dock. *This work has been completed. No work at Steel Bridge Boat Landing.*
 - e. **C. C. Haigh Jr. (Mackay Creek)**
 - i. Base bid for new floating dock shall be wood to match previously existing dock. This amount to be shown on page 3 of the bid form along with all other work required at this location.
 - ii. Provide a separate cost for an aluminum floating dock and gangway platform dock. This amount can be expressed as an addition or deduction from the base bid price.
 - iii. Please note small freeboard dimension on this dock to accommodate kayak use.



ALLOY: Missing Floats

EXHIBIT "A"

Beaufort County Boat Landings and Docks

IFB #013117E

Description	Address	City
Alljoy Boat Landing - May River	265 Alljoy Road	Bluffton 29910
CC Haigh Jr. Boat Landing - Mackay Creek	1640 Fording Island Road Ext.	Hilton Head Island 29938
Cross Island Boat Landing - Broad Creek	68 Helmsman Way	Hilton Head Island 29938
Daufuskie Island Boat Landing- New River	13 Haig Point Road	Daufuskie Island 29915
Edgar Glen Boat Landing - Chechessee River	305 Okatie Highway	Okatie 29910
HE Trask, Sr. Boat Landing - Colleton River	325 Sawmill Creek Road	Bluffton 29910
Sam's Point Boat Landing - Lucy Point Creek	1009 Sam's Point Road	Beaufort 29907
Buddy & Zoo Boat Landing - Station Creek	40 Station Creek Drive	Beaufort 29920
Steel Bridge Boat Landing - Combahee River	993 Charleston Highway	Seabrook 29940
White Hall Boat Landing - Factory Creek	33 Sea Island Parkway	Beaufort 29907
Bluffton Public Dock - May River	113 Calhoun Street	Bluffton 29910
Whale Branch Fishing Pier - Whale Branch	216 Seabrook Road	Seabrook 29940

Bluffton Public Dock - Missing rail



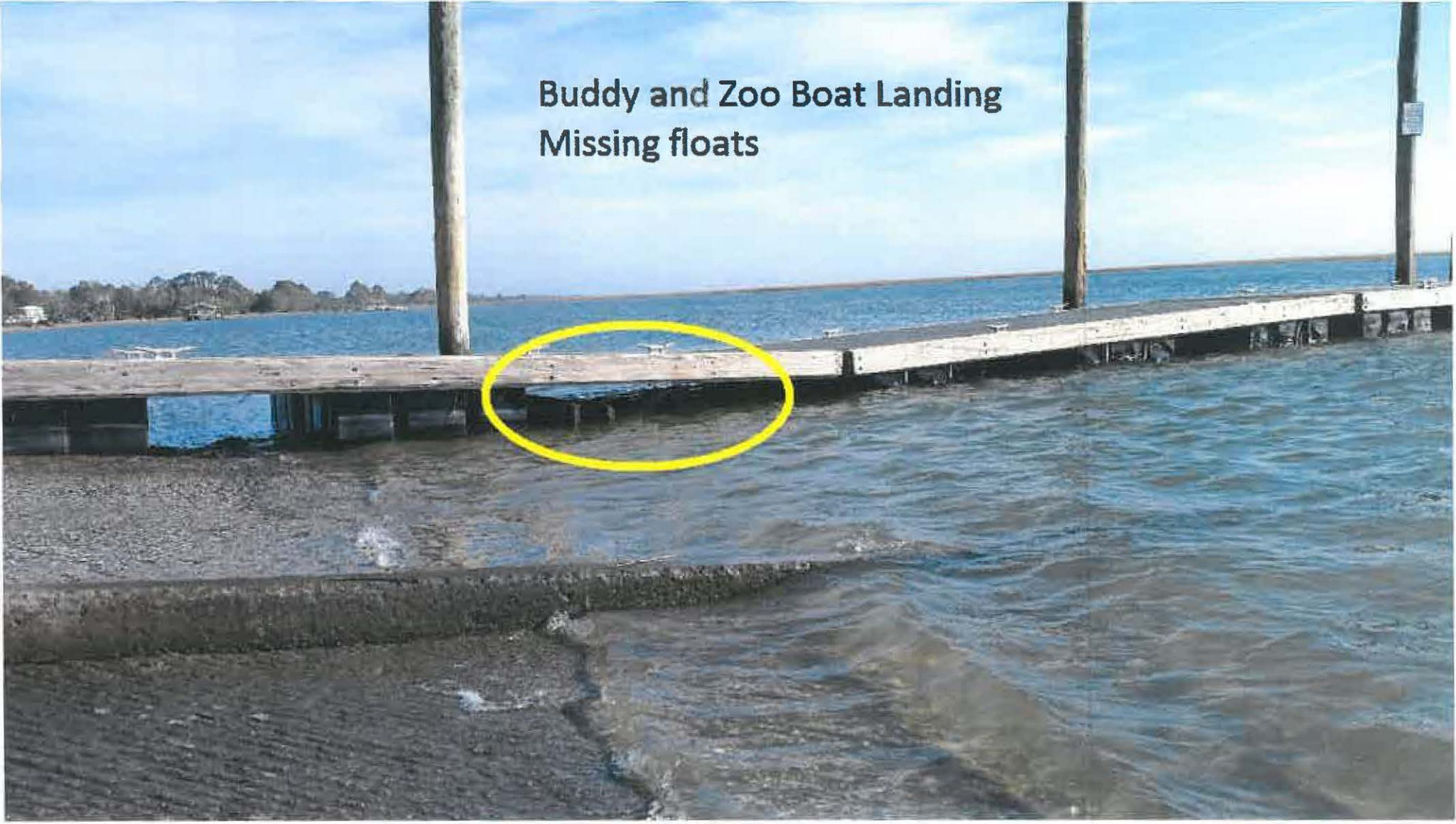
Bluffton Public Dock
Missing rail



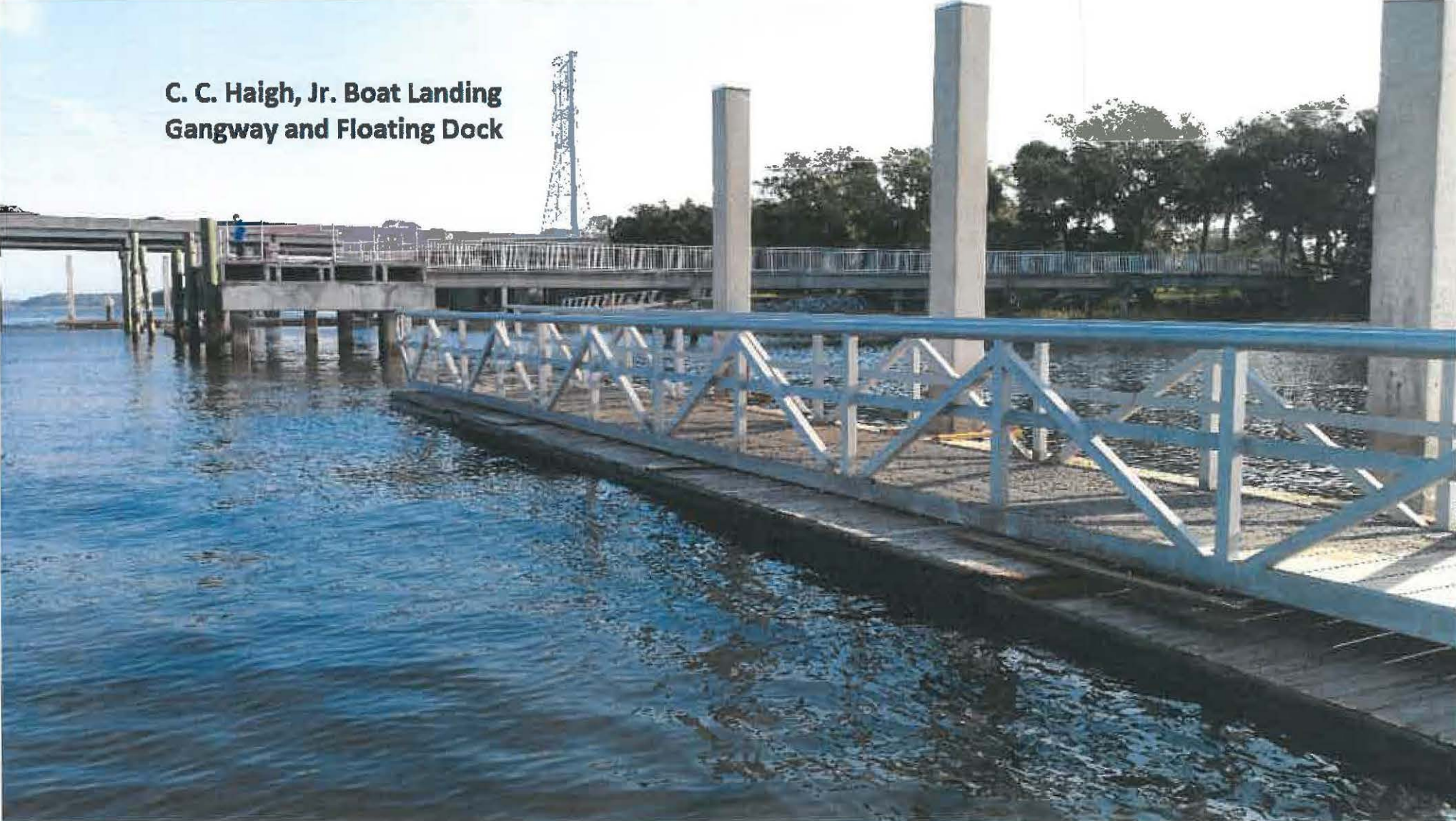
Buddy and Zoo Boat Landing
Broken guide



**Buddy and Zoo Boat Landing
Missing floats**



**C. C. Haigh, Jr. Boat Landing
Gangway and Floating Dock**



**C. C. Haigh Boat Landing
Missing Railing**



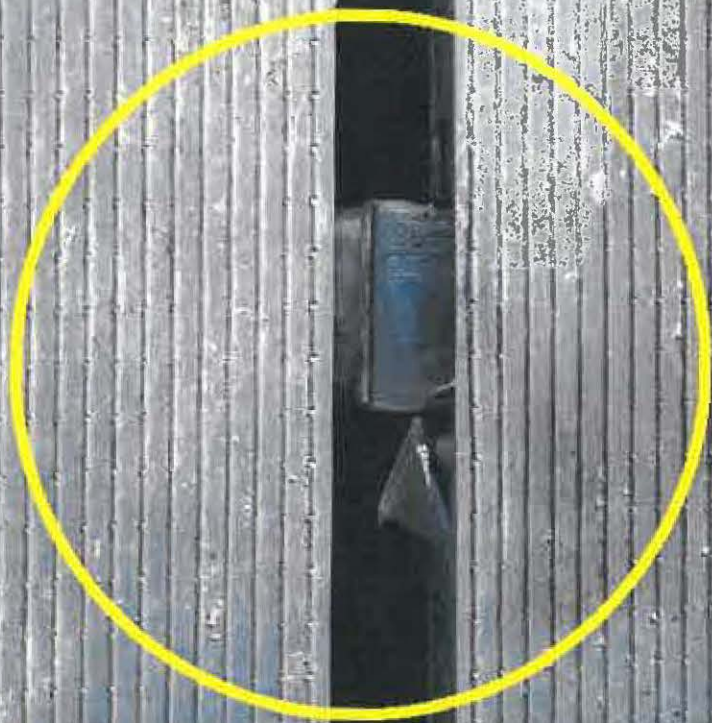
Cross Island Boat Landing
Undermined Pavement



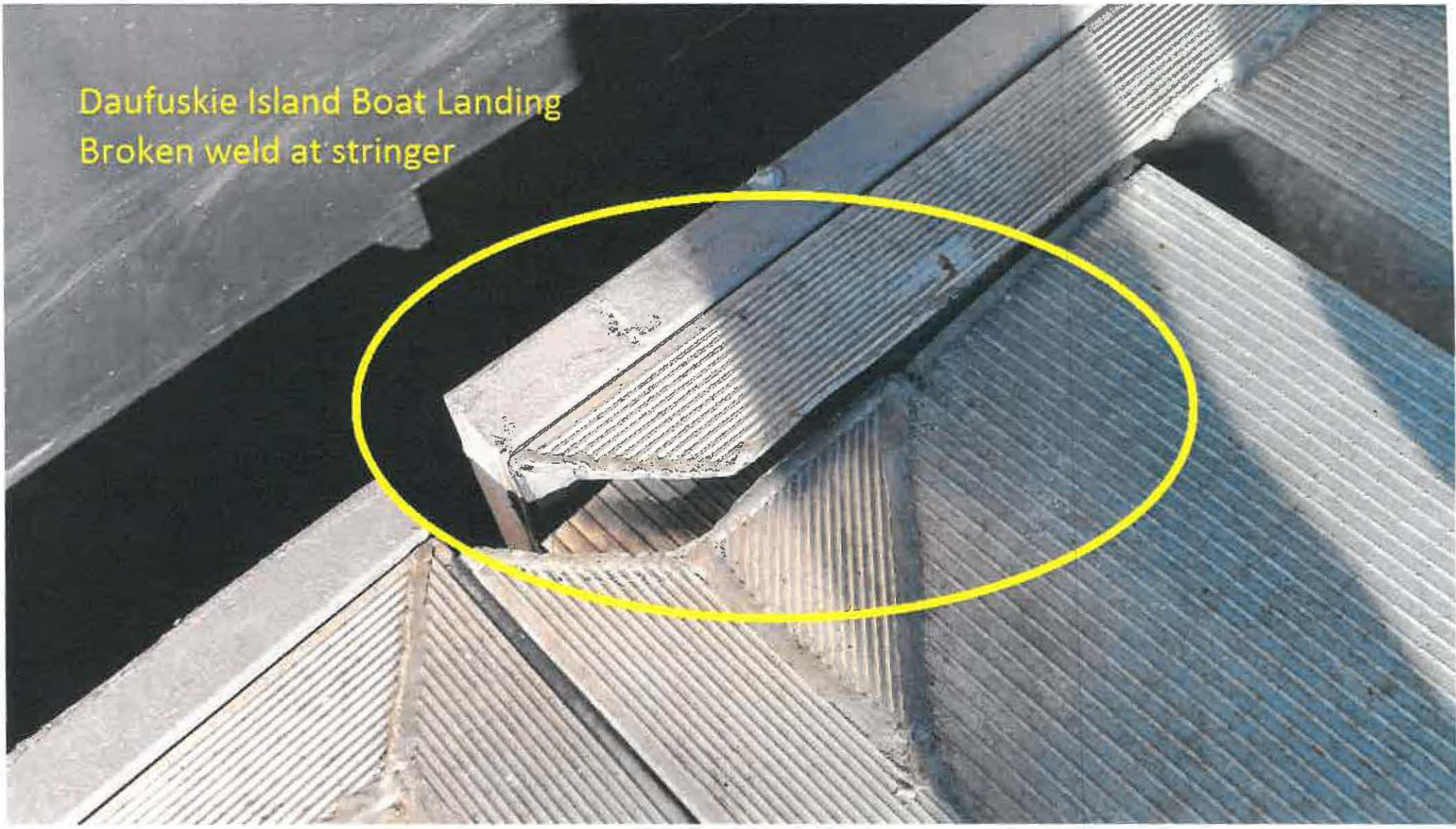
Cross Island Boat Landing
Undermined Curb



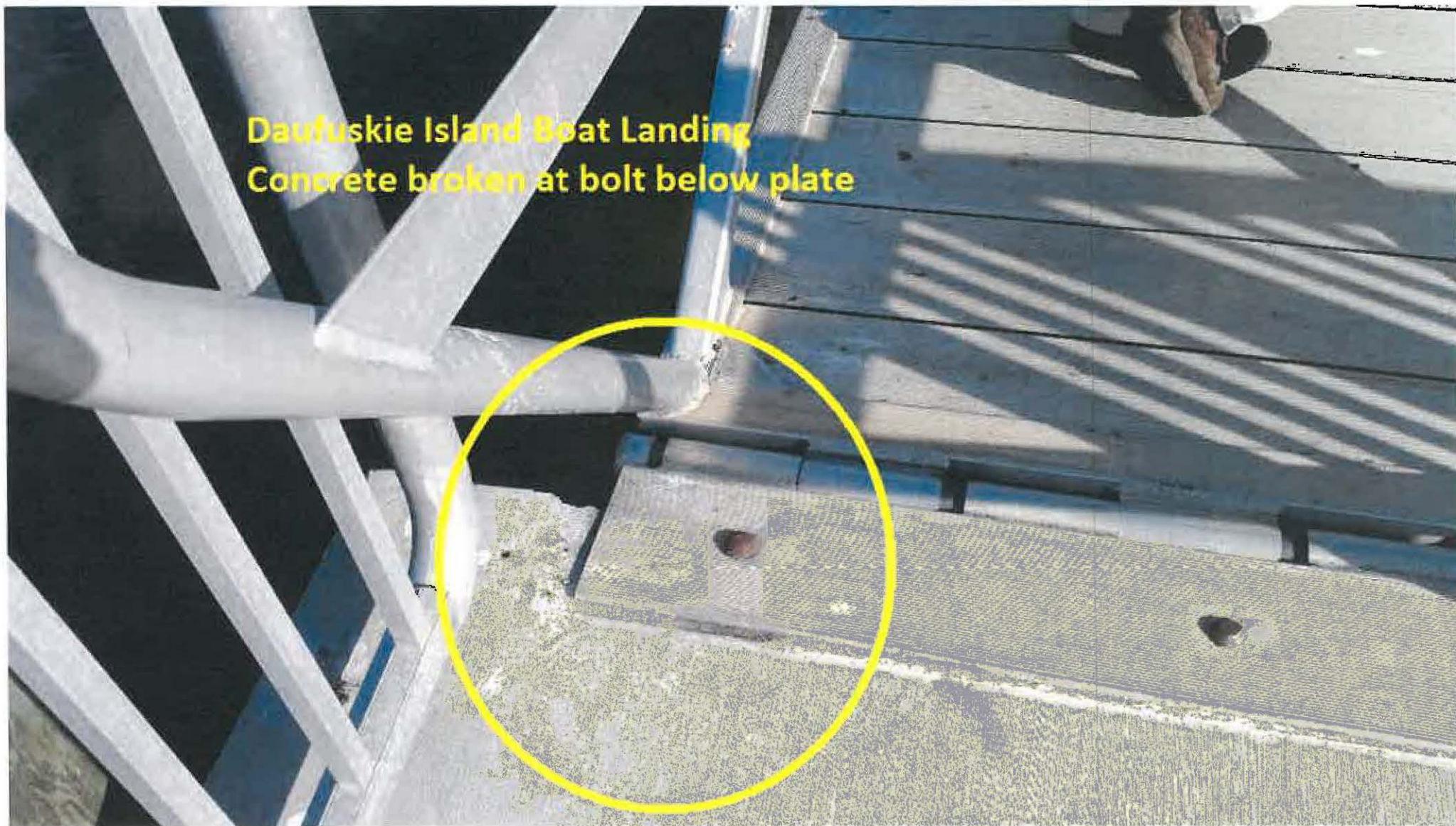
Daufuskie Island Boat Landing
Broken cross member



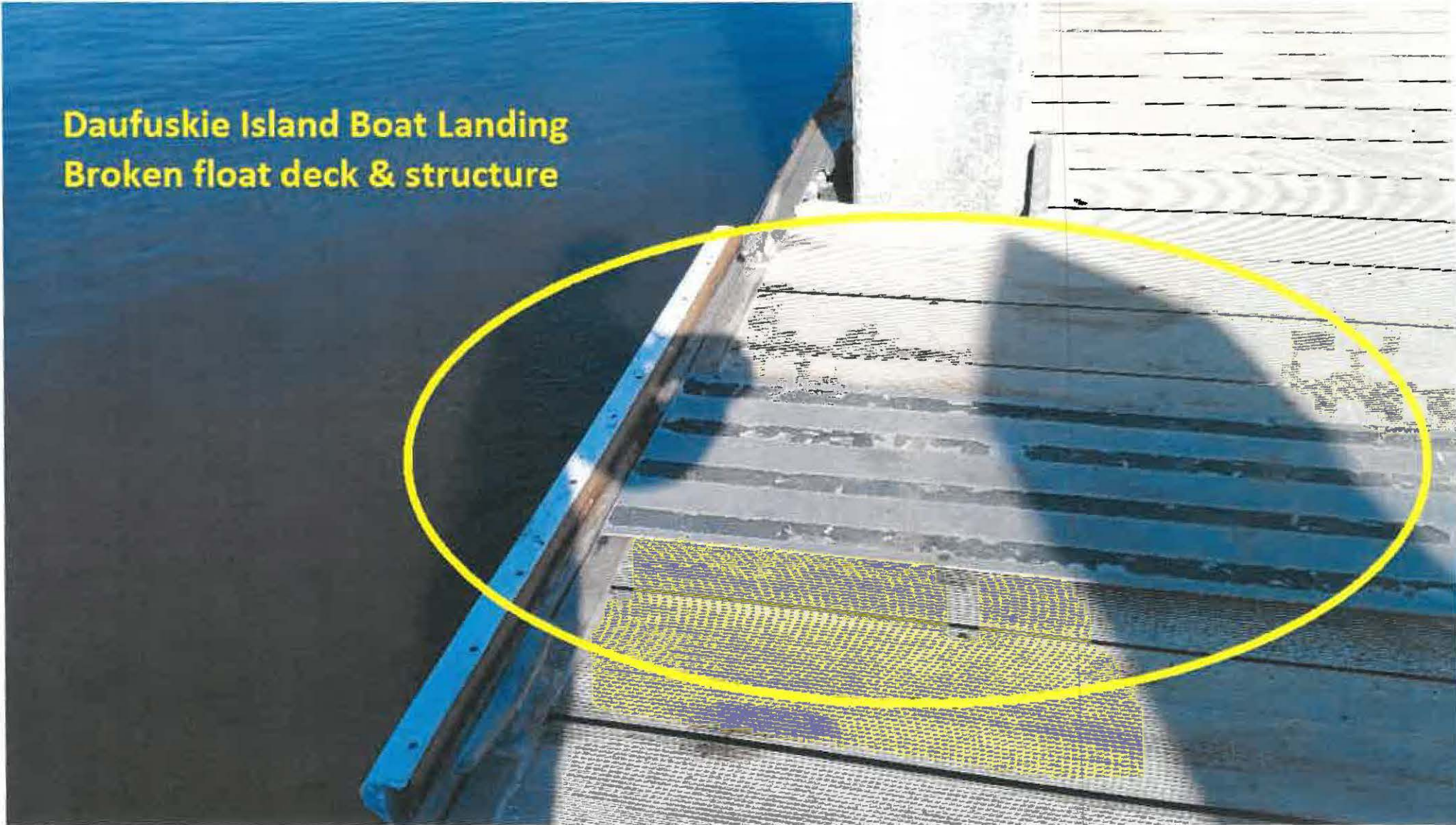
Daufuskie Island Boat Landing
Broken weld at stringer



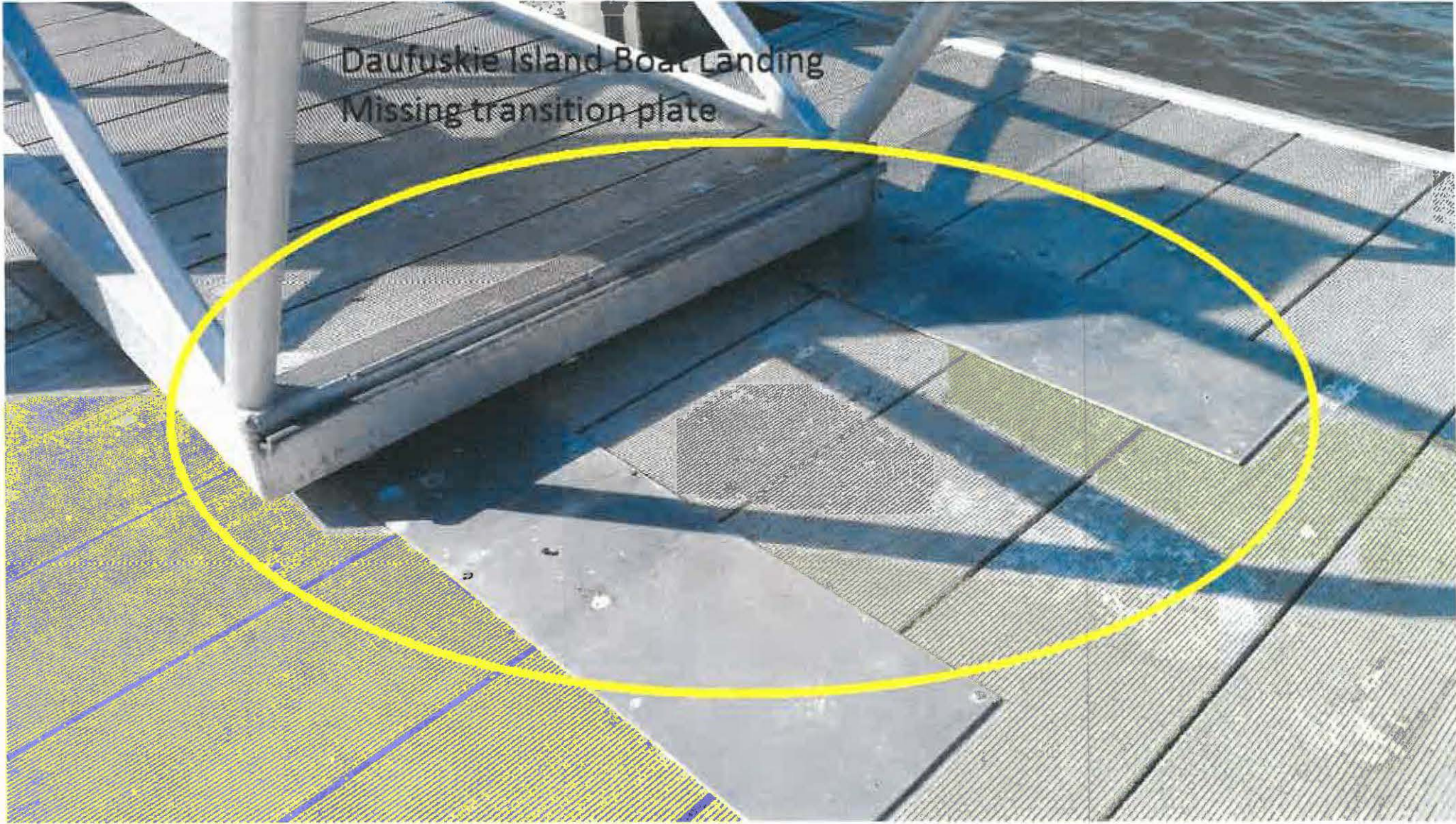
Daufuskie Island Boat Landing
Concrete broken at bolt below plate



**Daufuskie Island Boat Landing
Broken float deck & structure**



Daufuskie Island Boat Landing
Missing transition plate



**Edgar Glen Boat Landing
Transition plate relocation**



**Edgar Glenn Boat Landing
Broken float**





Edgar Glenn Boat Landing
Uneven erosion underneath floats

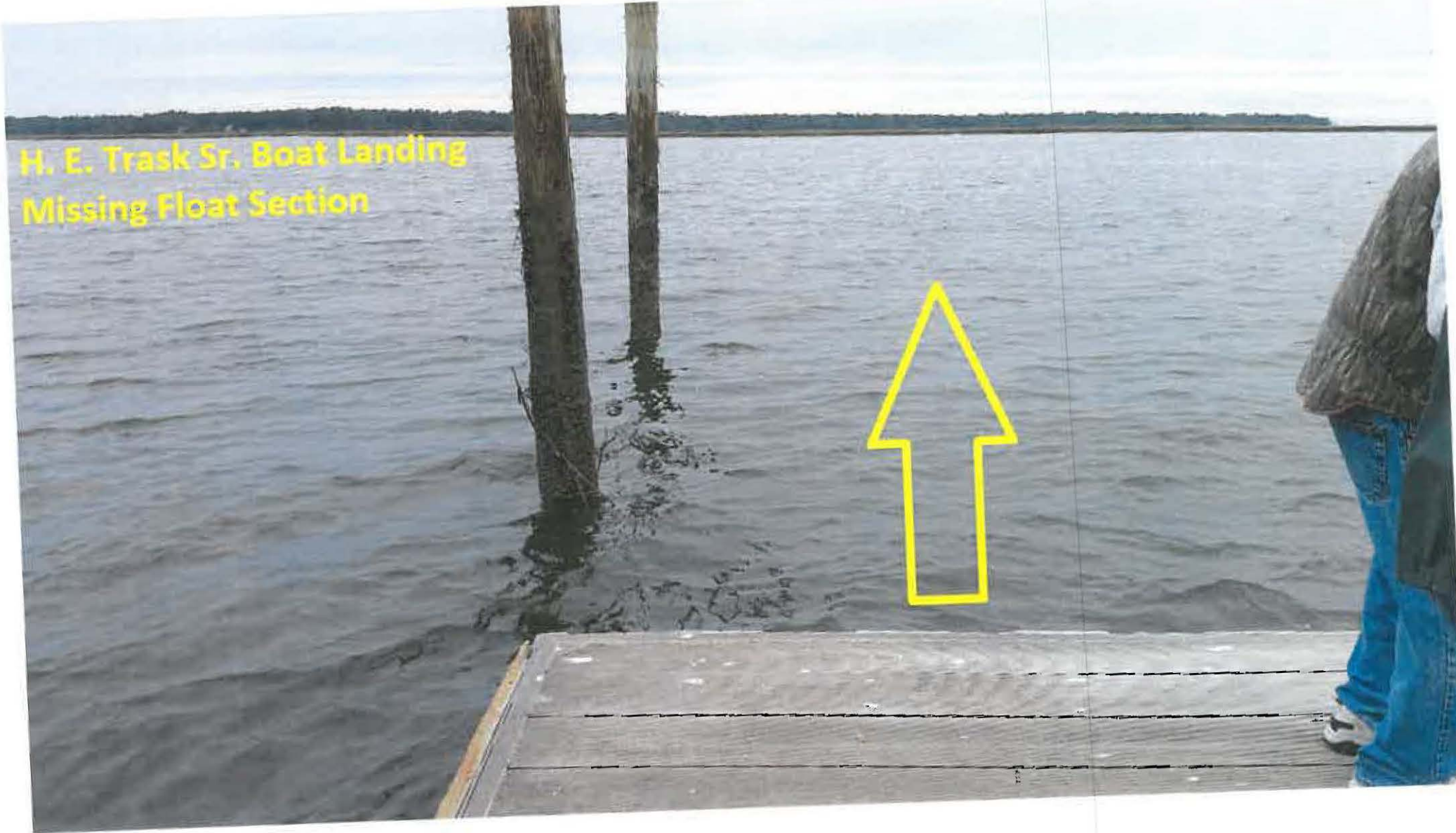
**H. E. Trask Sr. Boat Landing
Debris removal**



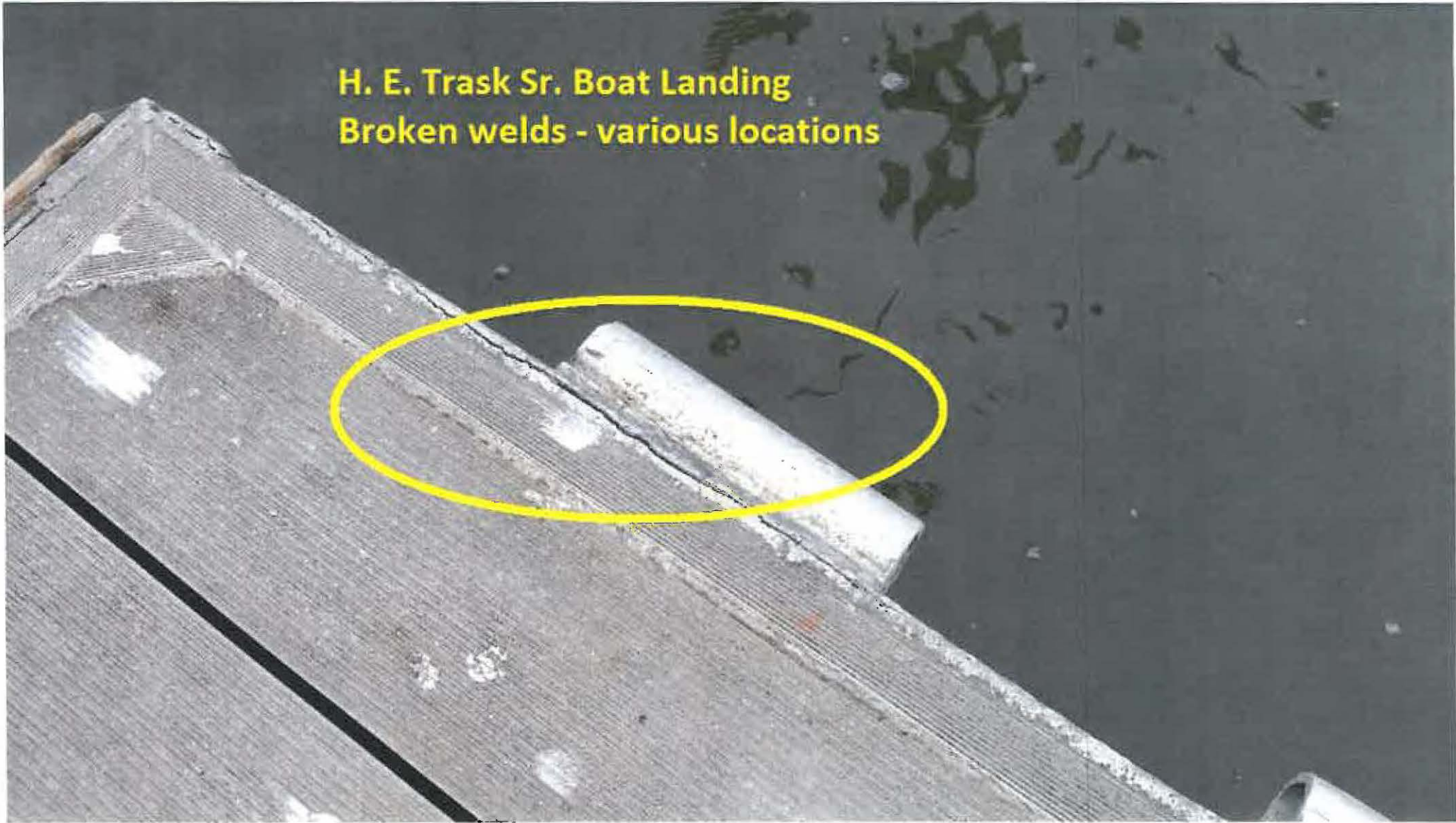
H. E. Trask Sr. Boat Landing
Missing guide



H. E. Trask Sr. Boat Landing
Missing Float Section



**H. E. Trask Sr. Boat Landing
Broken welds - various locations**



H. E. Trask Sr. Boat Landing
Broken welds - various locations



Sam's Point Boat Landing
Broken roller guides - various locations



Sam's Point Boat Landing
Broken roller guides - various locations



**Sam's Point Boat Landing
Broken welds**



Whale Branch Fishing Pier Washout



**Whale Branch Fishing Pier
Washout**



Whale Branch Fishing Pier Washout



**White Hall Boat Landing
Missing floats**



mtg
3/6



COUNTY COUNCIL OF BEAUFORT COUNTY

PURCHASING DEPARTMENT

106 Industrial Village Road, Bldg. 2, Post Office Drawer 1228
Beaufort, South Carolina 29901-1228

David L Thomas, Purchasing Director
dthomas@bcgov.net 843.255.2353

TO: Councilman Jerry Stewart, Chairman, Finance Committee
FROM: David L Thomas, CPPO, Purchasing Director
SUBJ: New Contract as a Result of Solicitation
Recommendation of Contract Award for RFP 110416, Workers' Compensation Broker Services for Beaufort County
DATE: 02/01/2017

BACKGROUND:

Beaufort County received proposals from qualified Workers' Compensation Brokers on 11/11/16. In accordance with the Beaufort County Purchasing Code an evaluation committee was formed and consisted of Chanel Lewis, Controller, Finance, Thomas Keaveny, Beaufort County Attorney, Miriam Mitchell, Risk Manager, Kyle Jackson, new Risk Manager, Cathy Parsons, Workers' Compensation Specialist, Suzanne Gregory, Director Employee Services. Beaufort County received three responses to the RFP. The evaluation committee reviewed and evaluated all RFPs and interviewed all three firms. After the interviews, the committee completed the initial rank order and requested "Best and Final Offers" from Arthur J. Gallagher, Inc., and Surry Insurance. After receiving both firms "Best and Final Offers" the committee unanimously selected Arthur J. Gallagher and ranked them as the number one firm.

VENDOR INFORMATION:

COST:

- | | |
|---|-------------|
| 1. Arthur J. Gallagher, Charlotte, NC | \$45,000 |
| 2. Surry Insurance, Dobson, NC | No Charge** |
| **Broker is paid a commission by the insurance company, no charge for consulting. | |
| 3. Scott Insurance, Charlotte, NC | \$70,000 |

FUNDING:

Employer paid workers' compensation costs are expended in accordance with personnel costs across various Beaufort County Funds.

Funding approved: Yes By: aholland Date: 02/01/2017

FOR ACTION: Finance Committee meeting occurring on February 6, 2017.

RECOMMENDATION:

The Purchasing Department recommends that the Finance Committee approve the contract award to Arthur J. Gallagher for Workers' Compensation Broker Services in the amount of \$45,000.

Attachment:  Recommendation Memo WC Attachments.pdf
2.14 MB

cc: Gary Kubic, County Administrator

Approved: Yes Date: 02/03/2017

Check to override approval: Overridden by: gkubic

Override Date: 02/02/2017

Joshua Gruber, Deputy County Administrator/Special Counsel

Approved: Yes Date: 02/03/2017

Check to override approval: Overridden by:

Override Date:

Alicia Holland, Assistant County Administrator, Finance

Approved: Yes Date: 02/01/2017

Kyle Jackson Director, Risk Management Department

Approved: Yes Date: 02/03/2017

Check to override approval: Overridden by:

Override Date: ready for admin:

After Initial Submission, Use the Save and Close Buttons

RFP110416 Workers Compensation Broker Services**Final Score Sheet Summary (AFTER INTERVIEWS)**

Evaluators	Name of Company	Name of Company2	Name of Company3
	<u>Gallagher</u>	<u>Scott</u>	<u>Surry</u>
S. Gregory	91	71	59
T. Keaveny	100	67.5	93
C. Lewis	90	58	74
M. Mitchell	75	40	66
C. Parsons	90	53	59
TOTALS:	446	289.5	351
1. Gallagher		446	
2. Surry		351	
3. Scott		289.5	

2017-2018 WORKERS COMPENSATION

**FULLY INSURED
VS.
SELF-INSURED**

SELF-INSURANCE

- SELF-INSURANCE IS A WELL-DESIGNED PLAN IN WHICH AN ORGANIZATION CHOOSES TO PAY ITS OWN LOSSES THROUGH A COMBINATION OF A SELF-INSURED RETENTION, BUFFER LAYER COVERAGE AND AN EXCESS LAYER OF COVERAGE
- COMPANIES AND PUBLIC ENTITIES ALIKE IN RECENT DECADES HAVE TURNED TO SELF-INSURED OPTIONS FOR GREATER CONTROL OVER THEIR LOSSES AND THE BENEFITS OF COST DIFFERENTIAL POTENTIAL:
 - ❑ AIKEN COUNTY, SC
 - ❑ RICHLAND COUNTY, SC
 - ❑ UNIVERSITY OF SC
 - ❑ GREENVILLE SCHOOL DISTRICT
 - ❑ CITY OF NORTH MYRTLE BEACH

SELF-INSURANCE (CONT'D)

➤ CHARACTERISTICS OF GOOD SELF-INSURED CANDIDATES:

- ❑ HIGH CLAIM FREQUENCY
- ❑ LOW CLAIM SEVERITY
- ❑ EXTENDED PAYOUT SCHEDULES

WORKERS COMPENSATION EXHIBITS ALL CHARACTERISTICS

FULLY INSURED

- IN A FULLY INSURED PROGRAM THE INSURANCE CARRIER ASSUMES ALL THE RISK WITH AN AGREED UPON DEDUCTIBLE. THE PREMIUMS PAID ARE BASED OFF THE TOTAL PAYROLL AND A ROLLING THREE-YEAR LOSS HISTORY THAT MAKES UP A UNIQUE MOD NUMBER. THE MOD NUMBER, FOR EXAMPLE, CAN RANGE FROM .65 ALL THE WAY UP TO 1.60
- THAT MOD NUMBER CAN EITHER BE A 65% DISCOUNT OR A 60% DEBIT DEPENDING ON THE LOSS HISTORY AND THE PREMIUMS PAID
- A FULLY INSURED PROGRAM DOES OFFER DEDUCTIBLE OPTIONS BUT PREMIUMS ARE STILL SUBJECT TO THE RATES AND THE MOD NUMBER

SCAC

2016-2017 CURRENT YEAR

- CURRENT PREMIUM: \$ 2,033,612
- PAYROLL: \$57,000,000
- DEDUCTIBLE: 0
- COVERAGE: \$ 1,000,000
- MOD: 1.13 (WAS 1.41) AND PREMIUM WAS \$2,320,111
- WE HAVE NOT RECEIVED A CLAIM REPORT FOR 2016
- 2015 CLAIMS INCURRED: \$ 532,423

2010 - 2015

	PREMIUM	MOD
• 2010 CLAIMS \$1,298,179	\$2,130,997	1.19
• 2011 CLAIMS \$1,281,751	\$2,094,029	1.26
• 2012 CLAIMS \$1,141,312	\$1,832,524	1.13
• 2013 CLAIMS \$1,056,758	\$2,128,178	1.31
• 2014 CLAIMS \$ 540,423	\$2,179,710	1.36
• 2015 CLAIMS \$ 450,267	\$2,347,805	1.41

DEDUCTIBLE OPTIONS VIA SCAC AS OF MAY OF LAST YEAR

EXAMPLE

LET'S ASSUME WE HAVE \$1,100,000 IN TOTAL CLAIMS BUT EVERY CLAIM IS UNDER THE DEDUCTIBLE OPTION

\$300,000 DEDUCTIBLE PREMIUM \$571,445

USING THIS DEDUCTIBLE OPTION, WE WOULD END UP PAYING \$1,671,445 (THAT INCLUDES ALL THE CLAIMS) + \$571,445 IN PREMIUMS

PLUS THE SELF-INSURANCE TAXES AND SECOND INJURY FUND ACCORDING TO THE W/C TRUST OF AROUND \$25,000 - \$50,000 BECAUSE WE CHOSE A DEDUTIBLE OPTION

NOTE: UNDER THE SC W/C TRUST WE ARE FORCED TO STAY WITH ARIEL AS OUR TPA

SELF-INSURED WITH GALLAGHER

- PAYROLL ESTIMATION 2017-2018: \$60,151,800
- SELF-INSURED RETENTION: \$300,000 (PER CLAIM)
- BUFFER LAYER COVERAGE STARTS WHEN A CLAIM IS OVER **\$300,000** AND COVERS THE COUNTY UP TO **\$500,000** (COST \$141,750)
- EXCESS POLICY KICKS IN WITH **\$500,000** COVERAGE WHEN THE CLAIM REACHES **\$500,000** (COST \$231,084)
- STATE FEES AND ASSESSMENTS: \$ 25,000 (ESTIMATED)
- RISK MANAGEMENT FEES: \$ 45,000 (ESIMATED)
- TPA (**OF OUR CHOICE**): \$ 46,950 (ESIMATED)
- TOTAL COST: **\$489,784**

ASSUMING ALL CLAIMS DID NOT MEET THE \$300,000 RETENTION AND WE HAD **\$1,100,000** IN CLAIMS WE WOULD PAY **\$1,589,784**

CLAIM EXAMPLE OF \$1,000,000 OVER A 10-YEAR PERIOD

- **GALLAGHER SELF-INSURED PLAN**
- **WE PAY THE FIRST \$300,000**
- **THE BUFFER COVERAGE PAYS \$200,000**
- **THE EXCESS LAYER COVERAGE PAYS \$500,000**
- **OUR LARGEST CLAIM IN 17 YEARS WAS \$940,615 WHICH OCCURRED IN 2000**

TRUE COST DIFFERENTIAL POTENTIAL WITH THE GALLAGHER MODEL

EXAMPLE FOR 2017-2018

- CLAIM TOTAL **\$600,000** ALL UNDER THE RETENTION LEVEL OF **\$300,000**
- OUR COST: **\$1,089,784** (INCLUDES THE \$600,000 IN CLAIMS and GALLAGHER'S COST FOR THE BUFFER, EXCESS POLICIES AND FEES)
- W/C TRUST CURRENT PROGRAM AND MOD: **\$2,033,612**
- W/C TRUST WITH A **\$300,000 DEDUCTIBLE OPTION: \$1,221,445** (INCLUDING ESTIMATED FEES)
- 5-YEAR COST DIFFERENTIAL POTENTIAL: **\$4,719,140**
- 5-YEAR COST DIFFERENTIAL POTENTIAL VS. THE W/C TRUST DEDUCTIBLE OPTION **\$658,305**

ADD-ONS

The document(s) herein were provided to Council for information and/or discussion after release of the official agenda and backup items.

Topic: Program Comparison
Date Submitted: March 6, 2017
Submitted By: Kyle Jackson
Venue: Finance Committee

Topic: Program Comparison
Date Submitted: March 6, 2017
Submitted By: Kyle Jackson
Venue: Finance Committee

GALLAGHER

ESTIMATED 2017-2018

SELF INSURED RETENTION (DEDUCTIBLE PER CLAIM) \$300,000	
AGGREGATE DEDUCTIBLE (STOP LOSS)	\$2,642,741
BUFFER LAYER EXCESS COVERAGE \$200,000	\$141,750
EXCESS COVERAGE \$500,000	\$231,084
ESTIMATED STATE FEES AND ASSESSMENTS	\$25,000
ESTIMATED RISK MANAGEMENT FEES	\$45,000
ESTRIMATED CLAIM TPA FLAT FEE	\$46,950
TPA OF OUR CHOICE	
TOTAL ESTIMATED COST FOR THE GALLAGHER SELF-INSURED PROGRAM	\$489,784

IN THREE YEARS IF WE CHOOSE TO ELIMINATE THE BUFFER LAYER COVERAGE ESSENTIALLY GOING TO A \$500,000 DEDUCTIBLE PROGRAM OUR ESTIMATED COST WOULD BE \$362,178

BEAUFORT COUNTY BOARD OF COMMISSIONERS

Workers' Compensation Self-Insurance Cost Forecasting

Prepared January 23, 2017



Arthur J. Gallagher & Co.

PROJECTED TOTAL COST OF RISK	Expiring FY17	Projected FY2018	Projected FY2019	Projected FY2020	Projected FY2021	Projected FY2022	5 Year Totals
Projected Payroll - 3% annual increase	\$57,015,998	\$60,151,800	\$61,354,836	\$62,581,933	\$63,833,571	\$65,110,243	
Ground Up Claims - Total Incurred (Workers Comp)	\$1,100,000	\$1,100,000	\$1,122,000	\$1,144,440	\$1,167,329	\$1,190,675	\$5,724,444
Workers Comp Retained Losses	\$0	\$1,100,000	\$1,122,000	\$1,144,440	\$1,167,329	\$1,190,675	\$5,724,444
Excess (Carrier) Losses	\$1,100,000	\$0	\$0	\$0	\$0	\$0	\$0
Excess Insurance Self-Insured Retention	NONE	\$300,000	\$300,000	\$300,000	\$500,000	\$500,000	
-Aggregate Deductible (Stop loss)	NONE	\$2,642,741	\$2,642,741	\$2,642,741	\$2,642,741	\$2,642,741	
Primary / Excess Insurance Costs	\$2,000,000	\$231,084	\$235,706	\$240,420	\$245,228	\$250,133	\$1,202,570
Buffer Layer Excess (\$200k xs \$300k)	\$0	\$141,750	\$144,585	\$147,477	Eliminate	Eliminate	\$433,812
State Fees & Assessments (Estimated)	\$0	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$125,000
Risk Management Fees	\$0	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000	\$225,000
Claims TPA - Flat Fee	\$0	\$46,950	\$46,950	\$46,950	\$46,950	\$46,950	\$234,750
Total Fixed Costs	\$2,000,000	\$489,784	\$497,241	\$504,846	\$362,178	\$367,083	\$2,221,132
Retained Losses	\$0	\$1,100,000	\$1,122,000	\$1,144,440	\$1,167,329	\$1,190,675	\$5,724,444
TPA - Variable Expenses	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Aggregate Insurance Reimbursement	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Variable Costs	\$0	\$1,100,000	\$1,122,000	\$1,144,440	\$1,167,329	\$1,190,675	\$5,724,444
Total Cost of Risk	\$2,000,000	\$1,589,784	\$1,619,241	\$1,649,286	\$1,529,507	\$1,557,758	\$7,945,576
Projected SCCWCT Cost - Flat Changes		\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$10,000,000
Projected Savings		(\$410,216)	(\$380,759)	(\$350,714)	(\$470,493)	(\$442,242)	(\$2,054,424)

Disclaimer: The above listed numbers reflect forecasted values only.

SCAC

ESTIMATED PREMIUMS 2017-2018

ESTIMATED NEW MOD 1.0 DOWN FROM 1.13

FULLY INSURED ZERO DEDUCTIBLE \$1,908,396

\$100,000 DEDUCIBLE PER CLAIM \$811,068

\$300,000 DEDUCTIBLE PER CLAIM \$536,259

ARIEL TPA

CURRENT CLAIM PAYOUT JULY 2015- JULY 2016 \$513,657

AVERAGE CLAIM PAYOUT OVER 5 YEARS \$906,780

NUMBER OF CLAIMS OVER \$100,000 IN LAST 17 YEARS 40

NUMBER OF CLAIMS OVER \$200,000 IN LAST 17 YEARS 8

NUMBER OF CLAIMS OVER \$300,000 IN LAST 17 YEARS 8

IN THE LAST 17 YEARS WE HAVE HAD 2 CLAIMS OVER \$400,000 AND 2
OVER \$500,000

CERTIFICATE OF SELF INSURANCE

DATE (MM/DD/YYYY)
3/03/2017

ISSUED BY:
South Carolina Association of Counties
P.O. Box 8207
Columbia, SC 29202-8207 (803) 252-7255

INSURED
Beaufort County
100 Ribaut Road
Beaufort, SC 29902

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.

COMPANIES AFFORDING COVERAGE

Company A

Company B SC COUNTIES WORKERS COMP TRUST

COVERAGES: THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOT WITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN. THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL OF THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS

CO LTR	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFF DATE	POLICY EXP DATE	LIMITS	
					GENERAL AGGREGATE	
	GENERAL LIABILITY <input type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS MADE <input type="checkbox"/> OCCUR <input type="checkbox"/> OWNERS & CONTRACTORS PROT				PRODUCT/COMP/OP AGG	
	AUTO LIABILITY <input type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> HIRED AUTOS <input type="checkbox"/> NON-OWNED AUTOS				PERSONAL & ADV INJURY EACH OCCURRENCE FIRE DAMAGE MED EXPENSE COMBINED SINGLE LIMIT BODILY INJURY (per person) BODILY INJURY (per accident) PROPERTY DAMAGE	
	GARAGE LIABILITY <input type="checkbox"/> ANY AUTO				AUTO ONLY, EA ACCIDENT OTHER THAN AUTO ONLY EACH ACC / AGG	
	EXCESS LIABILITY <input type="checkbox"/> UMBRELLA FORM <input type="checkbox"/> OTHER THAN UMBRELLA FORM				EACH OCCURRENCE AGGREGATE	
B	WORKERS' COMPENSATION AND EMPLOYERS' LIABILITY PROPRIETOR/PARTNERS <input type="checkbox"/> EXECUTIVE OFFICERS ARE <input type="checkbox"/> EXCL	SCWCBE-007-16	7/1/2016	7/1/2017	<input checked="" type="checkbox"/> STATUTORY LIMITS EACH ACCIDENT \$1,000,000 DISEASE-POLICY LIMIT \$1,000,000 DISEASE-EACH EMP \$1,000,000	
	OTHER					

DESCRIPTION OF OPERATIONS/LOCATIONS/VEHICLES/SPECIAL ITEMS

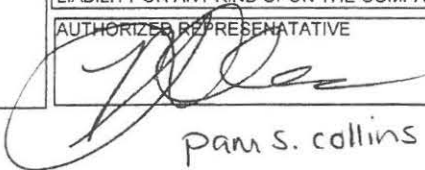
Re: Beaufort County employees, selected volunteers, working prisoners (including those working inside the det. facilities (laundry/cooking/cleaning etc)) and inmates working in animal control are all covered for workers compensation. Limits are Statutory (unlimited) South Carolina.
Longshore and Harbour workers are not excluded.

CERTIFICATE HOLDER:

Beaufort County
100 Ribaut Road
Beaufort, SC 29902

CANCELLATION: SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING COMPANY WILL ENDEAVOR TO MAIL 30 DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT. BUT FAILURE TO MAIL SUCH NOTICE SHALL IMPOSE NO OBLIGATION OR LIABILITY OR ANY KIND UPON THE COMPANY, ITS AGENTS OR REPS

AUTHORIZED REPRESENTATIVE


Pam S. Collins

Beaufort County- Workers Compensation Program

Talking points

The *South Carolina Counties Workers Comp Trust (SCCWCT)* is owned by the counties for the counties. It's like an insurance company, but the member counties own it & we don't have to answer to stockholders who would be intent on increasing stock price every year.

- Hence we are proposing to go-self-insured and become our own shareholder
- The WCT still has to report to the excess insurers for accountability and financial control
- Self-Insurance: Rent vs. "Own"
 - Financial Independence
 - Greater Control

The SCCWCT premium contribution is all inclusive. There is no separate fee for claims administration, excess workers comp insurance, premium auditing, risk control, etc.

- Yes, but it includes risk loading and other counties claims experience
- Self-insurance: More options & control
 - Savings
 - Unbundled options
 - Flexibility in choices = Greater Control

The SCCWCT is non-profit with only your best interests in mind.

- Self-insured: Benefits
 - Increased awareness
 - Spending your own money vs the pool's money
 - More data = data analysis and focused risk control efforts
 - Improved employee satisfaction
 - Cost savings

Not many claims professionals have experience in handling claims on reserve police officers, volunteers or inmates since most carriers will not write workers comp for reserve police officers, volunteers or inmates. We are experts at covering these unique exposures.

- Yes, but the WCT also outsources the claims handling to a TPA
- TPA: County choice / unbundled option
 - Proactive claims management
 - Relationship and trust
 - Team approach to claims handling

SCCWCT has written Beaufort County since 01/01/2000 = 16 years.

Beaufort County- Workers Compensation Program

Talking points

- The WCT does dominate the state, but self-insurance allows the entity to control its own destiny. York and Aiken County went self-insured and have not regretted it.
- This is a natural maturation process for the county to evolve and grow

The 07/01/16-07/01/17 experience mod is 1.13.

estimated to be 1.0

- Yes and the Mods are "reactive" to our prior experience in the fund PLUS they include shared experience of other members of the fund
- As a Self-insured we do not need a modifier and we rely on our own experience
 - Essentially pay 13% more for 3 years
 - If loss reserves are higher than total paid, premium not returned

Unlike traditional insurance agencies where only about 15% of your total premium remains local, approximately over 95% of your SCCWCT contributions stay in or are spent in the State of South Carolina. Therefore, participation in the SCCWCT allows a greater percentage of your taxpayers' dollars to remain in the State of South Carolina.

- This is not exactly true as the Fund cedes off costs to an out of state reinsurer
- As a self-insured more funds stay in the county and not to Columbia!

This helps provide future financial security for participating counties and a guarantee of stable workers' compensation benefits for participating counties.

- Not true – costs are modified by claims experience of fund and entity modifier
- The trust has a history of assessing members – joint and several liability
- Self-Insurance: Savings
 - Immediate savings / improved cash flow for County
 - Excess insurance is purchased by Pool and County

Services are tailored to South Carolina county governments instead of the insurance industry standard "one size fits all."

- Correct – we agree this is a benefit to the members
- With the self-insured program, we duplicate most of the services and structure

Robert Benfield has a Master's Degree in criminal justice & he is exclusively dedicated to jails and detention centers.

Beaufort County- Workers Compensation Program

Talking points

Lowest price this year may not be the lowest price next year if a company comes in & buys your business.

- Yes, but same holds true with the Fund – the exp modifier varies each year
 - Self-Insurance: Stability
 - 2 year rate guarantee
 - Stable market
 - Gallagher oversight
-

All workers comp insurance is auditable and for-profit companies often provide low quotes at policy inception and then the premium is increased via audit at the policy's expiration.

- The fund also audits its members
- A self-insured program typically has a “voluntary” audit process

Per the bylaws of the workers comp trust, if you leave the WC trust, re-entry may require an experience mod less than 1.25, equity buy in, waiting period, or loss or partial loss of discounts.

- History in the Southeast shows majority of entities who choose to go self-insured never return to Pool or fully-insured program

Long term budget stability provided through both Trusts helps counties minimize the peaks and valleys in their insurance premiums over the long term.

- Self-Insurance: Long-term commitment
 - Gallagher will assist county in promulgating appropriate funding levels to smooth out good and bad years
 - Actuarial oversight and guidance

You currently have a dedicated adjuster- not 1-800-claims where you may talk to a separate adjuster each time.

- With a self-insured program, you get your own team of claims adjusters that work under your direction, not of a Fund

Beaufort County- Workers Compensation Program

Talking points

This is important: If you are considering self-insurance or large deductible with another carrier I want to mention "cradle to grave claims" coverage. You will want to ask the other presenters if they provide cradle to grave claims administration and if additional charges will be incurred. For example, if you cancel a third party claims administration (TPA) contract after one or 2 years, the TPA may charge you an additional amount to handle the open claims to closure, or to the "grave." The SCCWCT handles claims on a "cradle to grave" basis.

- Yes, we have calculated the additional costs – which is frictional and we prefer to have a contract with a TPA for life of the contract only – so that if we change TPAs, we only have to deal with one TPA.
- The self-insured program provides for flexibility of choice in choosing a TPA and changing if necessary or desired. With the fund, we have no choice of adjusters

In considering a 300,000 deductible for example, we pay the claim then bill you monthly for the amount paid, not incurred. In my example, once the claim exceeds 300,000 the SCCWCT pays the balance for the life of the claim.

- Yes, but the Fund collects a higher premium up front, where as in the self-insured program we have better cash flow
- Once claims are paid in excess of \$300,000 we are reimbursed by the excess carrier

Additionally, Beaufort County has INPUT on compensability- you will want to ask the other presenters if they will solicit your input before determining whether a claim should be accepted or denied

- The member only has input, where as in the self-insured program we have complete control over claims handling and legal matters
- Self-Insurance: TPA
 - Relationship and Trust with TPA
 - Proactive claims management
 - 3 point contact on all claims
 - Notification and communication with County

You may also want to ask the other presenters about their adjusters caseloads. The average industry caseload for a lost-time adjuster is 150 to 175 workers' compensation claims. Rachael's caseload is less than 100.

- When we select a TPA, we require the adjusters to have average case-loads or better

Beaufort County- Workers Compensation Program

Talking points

Nobody in South Carolina has as much county insurance knowledge as we do

- The knowledge does not always translate into financial optimization
 - Gallagher - Largest Public Entity Broker in United States is our source of local, state, and national resources and intellectual knowledge of public entity risk management – they are our trusted advisor
 - Over \$950 million in public sector premiums placed
 - Dedicated practice group – over 200 employees
 - Started many pools in the Southeast.
-

Due to the excellent financial condition of the SCCWCT, the Trust (unlike most other large deductible or self-insured programs) does not require large deductible members to pre-fund a separate bank account for future claims.

- Please provide financials for the SCCWCT for transparency

There is no Letter of Credit requirement for members participating in the large deductible program.

- Same for a self-insured program

The SCCWCT simply invoices the participating county for amounts paid (not the incurred) during the previous month. Included with the invoice is a report listing all claim payments made during the month. The member county is not required to set up a separate reserve account for future claims amounts. Essentially, the SCCWCT extends credit to the large deductible Trust members without any interest charge or collateral requirements. This is a considerable financial benefit for member counties in these tight budget times.

- This adds administrative time to review the billings for accuracy and the reports provided by Ariel are not very helpful, nor customizable

The SCCWCT also provides all deductible members with their own county-specific actuarial report (loss analysis and reserve projection). Ellen Pierce of Casualty Actuarial produces the report which offers a truly independent opinion on each county's future liabilities. Our actuary is a fellow- the highest ranking type of actuary. There is no additional cost for this service.

- Gallagher will assist in promulgating appropriate funding levels to smooth out good and bad years along with loss forecasts

Rachael Stephenson is your dedicated Senior Claims Adjuster with Ariel. Ariel only handles public entity claims. She is essentially available 24/7

- Our selected TPA will provide the same

Beaufort County- Workers Compensation Program

Talking points

If you choose ABC insurance company, you may call a 1-800 number and you may potentially speak to a different claims person quite often.

- Our selected TPA will be more customer service driven – they work for us

As mentioned previously, handling workers comp claims for reserve officers, volunteers & inmates required specialized knowledge. Not many claims professionals have this experience because most insurance companies do not want to write workers comp for reserve officers, volunteers & inmates.

- Our selected TPA will have public sector experience

Most important you have input on claims compensability. Ariel talks with you before denying a claim or if a claim is questionable. If you go with ABC Insurance Company, they are going to follow the law strictly. Also, we discuss settlement options and amounts before a claim is settled. Your employees are your greatest asset.

- With a self-insured program we control our own claims handling, claim acceptance and we will improve our employees claim experience

Provider choice: With ABC Insurance Company, you may not have the opportunity for input on providers used. This could include anything from medical provider to the attorney used to defend claims. For example- the change Miriam and Ariel made from Dr. Stoddard to Doctors Care in 2011, Hubie Wood as attorney, preference of the Nurse Case Manager assigned to file when warranted (Stephanie Ludwig). The SCCWCT allows you this flexibility.

- Self-Insurance: more Choices and greater control

Mediations, Hearings, and Informal Conferences: Miriam and Cathy attend each one of these as representatives of Beaufort County. That may change with ABC Insurance Company as most insurance companies only have the attorney attend mediations and hearings. Also, a lot of large insurance companies hire an independent adjuster to attend Informal Conferences instead of the adjuster who worked on the file.

- Self-Insurance: more Choices and greater control
 - Proactive claims management
 - Team approach to claims handling

Beaufort County allows injured employees to "buy-back" sick leave or annual leave while out on workers comp. This is yet another claims intricacy that Ariel handles expertly. It applies only to local governments in SC.

- Our selected TPA will have public sector experience

Beaufort County- Workers Compensation Program

Talking points

Risk Management services are provided by John Henderson and Robert Benfield.

- The Gallagher team will provide risk management services

The have 48 years combined experience providing risk management services to South Carolina counties. They have 32 years combined experience providing risk management services to Beaufort County.

Robert Benfield is uniquely qualified to provide risk management services to law enforcement and detention centers. He has a Master's Degree in Criminal Justice and teaches accredited hours for enforcement.

Robert Benfield teaches

CEVO POLICE driving classes.

Law Enforcement Risk Management Classes Detention Center Risk Management Classes.

Inmate Supervision Classes for County Employees.

All classes are approved by Criminal justice academy for in-service credit.

He conducts on-site jail inspections.

He performs Staffing Studies for Detention Centers at no cost, and the studies are recognized by the recognized by the Department of Corrections.

To help reduce officer injuries and litigation, the SCCWCT has contracted with "In The Line of Duty" to provide the County free on-line training with accredited hours to all of our Trust members.

This training has been approved by the South Carolina Criminal Justice Academy for Continuing Law Enforcement Education credits. Each officer is assigned a unique tracking number, and all of their training is documented. Law enforcement and detention center officers have unlimited access to over three hundred (300) on-line courses. The department training officer will have access to all lesson plans, materials, tests, and the ability to monitor their agency's training. Courses range from fifty (50) minute sessions to two (2) minute warning talks on specific current topics.

More than 350 complimentary online safety videos

- Gallagher: Public Entity Experts
 - In-house Loss Control & Training (Jake Jennings, Dir. of Risk Control)
 - Exposure analysis and Assessment
 - Training And Education Services
 - Innovative solutions & forward thinking

Beaufort County- Workers Compensation Program

Talking points

350 trained in defensive driving in past two years, non-law enforcement.

On-site OSHA meetings.

Two annual seminars for all members, including the meeting you attended last week.

Risk Management Awards program, presentations made at County Council meetings.
This helps show county council the importance of your risk management department.
