

*The Future of*  
**WORKERS' COMP**  
STATE RISK MANAGEMENT

# *CONCOURSE THEATER*

## *Rules*

- **NO FOOD, BEVERAGES or SMOKING** in Theater
- Set **PHONES** on Vibrate or Silent
- **RESTROOMS**  
Take a right out of theater entrance in the direction of the Sequoyah Building

# Welcome

Workers' Compensation  
State Risk Management  
Conference

STATE RISK MANAGEMENT

# Workers' Compensation

## A Changing Environment

**Preston L. Doerflinger**  
Director and Secretary  
of Finance, Administration  
and Information Technology



**Mary Fallin**  
Governor

**State of Oklahoma**  
Office of Management and Enterprise Services

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**To:** State Agency Executive Directors and University and College Presidents  
**From:** Preston L. Doerflinger, Secretary of Finance, Administration, and Information Technology  
**Date:** August 18, 2014  
**Re:** Workers' Compensation

As you know, over the past few years there have been several groundbreaking legislative changes to Workers' Compensation in the state. In 2013, SB 1062 reinvented the state's system for administering this important line of insurance coverage. Also in 2013, HB 2201 opened the way for CompSource to become CompSource Mutual Insurance Company, a private sector insurance company as of January 1, 2015.

These significant and positive changes will allow Oklahoma employers to enjoy a more flexible and reliable system while simultaneously protecting the state's work force in a more efficient manner. These changes will eliminate wasteful spending and allow Oklahoma to attract more businesses, both large and small, to our great state.

As a consequence of these changes the Workers' Compensation purchasing process for state entities will also change. This opens the door for potentially significant savings to state government. Because the state's Central Purchasing Department does not have the expertise on staff for dealing with the purchase of insurance coverage, the Office of Management and Enterprise Services requested a minor revision to the Risk Management Department's statute; House Bill 2909 approved OMES's Risk Management Department to assist state entities in designing and placing Workers' Compensation Insurance beginning January 1, 2015.

OMES's Risk Management Department has several team members with dozens of years of experience in managing and administering large Workers' Compensation programs. Just as they have done with the state's property and liability insurance coverage, I am confident they will assist you in a professional and positive manner. We at OMES are excited to be able to offer you new ideas and programs. Please contact the Risk Management Department at 405-521-4999 or 888-521-7475 for more information.

Respectfully,  
A handwritten signature in black ink, appearing to read "Preston L. Doerflinger".

Preston L. Doerflinger  
Secretary of Finance, Administration, and Information Technology

Changes that have occurred over  
the last two legislative sessions.

# HB 2201 (2013)

1 January 2015

CompSource becomes  
CompSource Mutual Insurance Company  
(A private insurance company)

# SB 1062 (2013)

New Workers' Compensation Law  
(Section 150 defines how state entities are  
to obtain WC coverage)

# H.B 2909 (2014)

## State Risk Management

74 O.S. § 85.58A (A) (4.)

### **New Version**

Consolidate and administer risk management plans and programs including self-insurance programs except, State Employees Group Insurance;

### Old Version

Consolidate and administer risk management plans and programs including self-insurance programs except, Workers' Compensation Insurance and State Employees Group Insurance

State Risk Management  
To Administer  
Workers' Compensation Insurance

# Caution

On the future purchasing of  
Workers' Compensation Insurance

# Scott Schlotthauer

## Purchasing

Entities will have to conduct a bid process if WC premiums are more than \$50,000

RE: 74 O.S. § 85.5 (C.) (11.) and (T.); 74 O.S. § 85.7

# New Opportunities Available

Restructuring how  
Workers' Compensation is purchased

# Current State of WC Process

- Each entity purchases on an individual basis
- Most purchase Commercial Insurance
  - Guaranteed Cost
  - Deductible Options
- Some self-insure
  - Purchase excess WC

# Maximizing the State's Purchasing Power

How to save money when purchasing insurance

# Controlling Workers' Compensation Costs

Large Programs vs. Small Programs  
Alternative Program Structures

# Risk and Insurance Management Society (RIMS)

- RIMS—largest Risk Management related association
  - 10,000 risk management professionals
  - 3,500 entities
  - 120 countries
- 2013 RIMS Benchmark Survey
  - 1,450 organizations participated
    - 174 Government, Nonprofit & Education
  - Measures the Cost of Risk

2013 RIMS Benchmark Study  
Cost of Risk/\$1,000 of Revenue  
(Economies of Scale)

**SMALL**  
(You are Small)

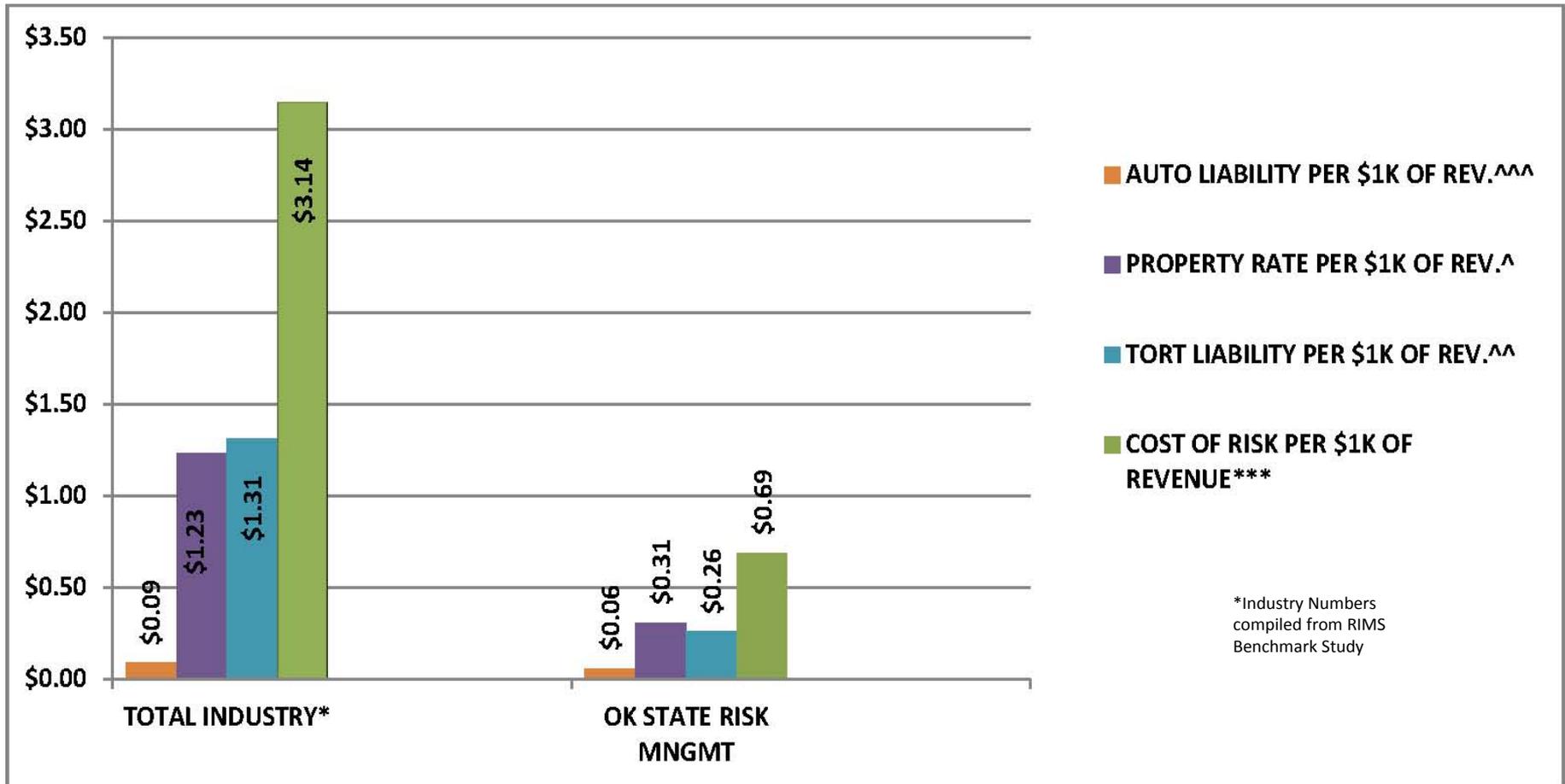
- Less than \$1B
- Total Average = \$15.37
- WC Average = \$4.26

**BIG**  
(The State is Big)

- Greater than \$1B
- Total Average = \$5.84
- WC Average = \$1.45
  - 66% advantage

# Total Cost of Risk

## Risk Industry vs. OK State Risk



# Opportunities

- Take advantage of economies of scale
- Leverage in the insurance marketplace
- Spread of risk
- Optional retention levels per Entity
- Entity specific development factors
- Entity control of costs through targeted loss prevention programs—Best Practices approach
- Consolidation of internal and external administrative fees
- Places more program control at the Entity level—establishing accountability and responsibility

# Plan of Action

- Actuarial Study being conducted
  - Evaluate combining State entities into one or two programs
  - Develop a state entity specific allocation system (Property; Tort; Auto; D&O/ELL)
  - Allow entity specific retention levels
  - Explore commercial insurance marketplace for large comprehensive WC programs

# Plan of Action

- SRM working with broker to structure a comprehensive program
- Select outside Third Party Administrator claims services (TPA)

# Timeline

- Obtain loss information from CompSource end of June 2014
- Obtain payroll information from OMES end of June 2014
- Provide all data to actuary by first of August 2014
- Information meeting with all agencies, colleges, universities end of August 2014
- Obtain participation notifications from agencies, colleges, universities by mid September 2014
- Actuarial analysis due by end of September 2014
- Program design meeting with actuary and insurance consultants early October 2014
- Allocation design by end of November 2014
- Market strategy meeting early December 2014
- Marketing begins end of January 2015

# How You Can Assist Us

- Provide 10 years (2004 through 2013) of WC Data:
  - Payroll by job classification code
  - Historical loss data
  - Premiums paid
  - All expenses associated (TPA or claim handling fees, legal expense, managed care, medical bill review, etc.)
  - Also, current program structure (Guaranteed Cost; Deductible; Self-insured, etc.)

# Where to submit data?

- Please provide electronic data in Excel format
- E-mail to:

**SRM\_Underwriting@omes.ok.gov**

# MMSEA

## Centers for Medicare/Medicaid Services Claim Payment Reporting

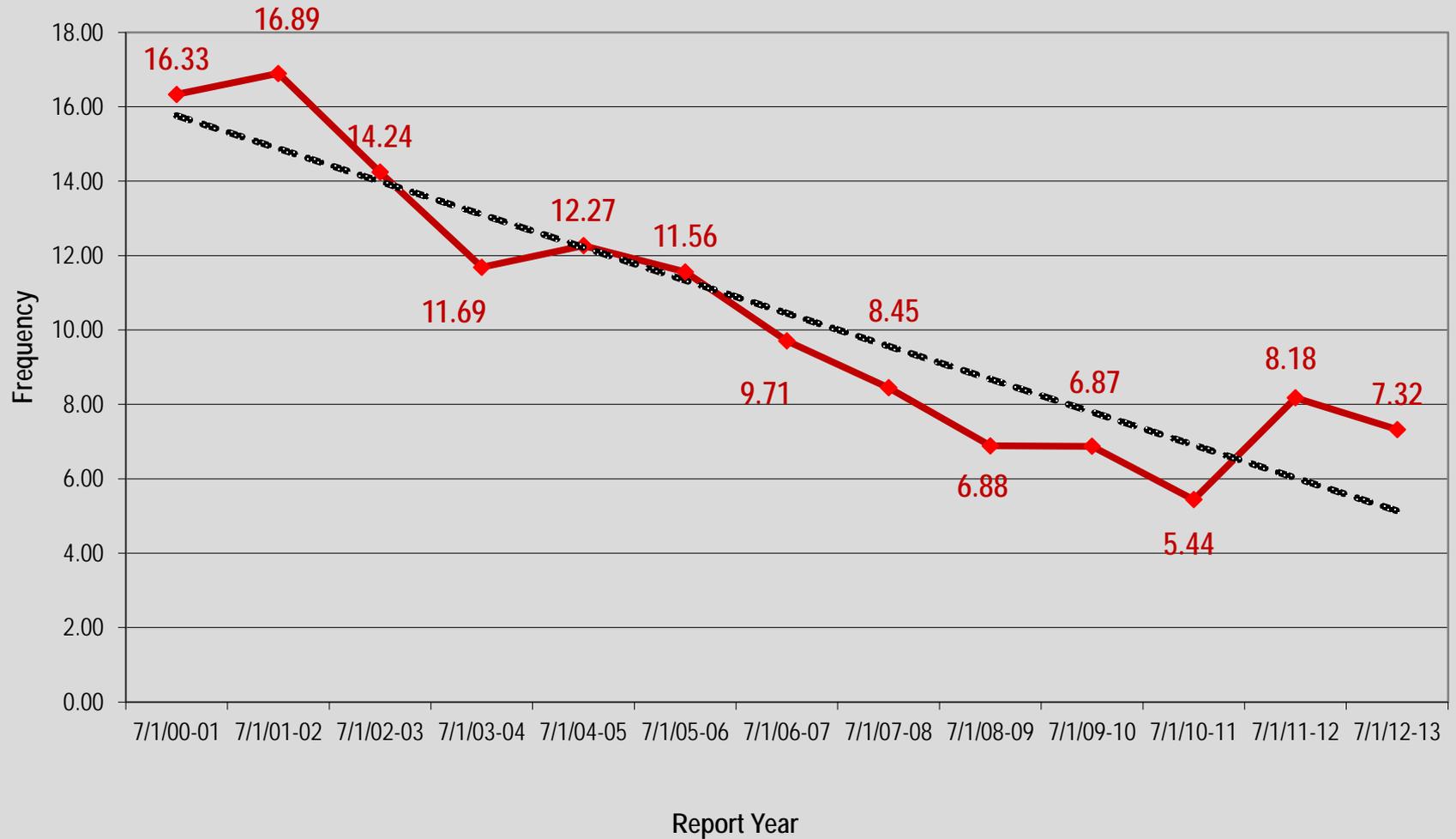
Responsible Reporting Entity (RRE)

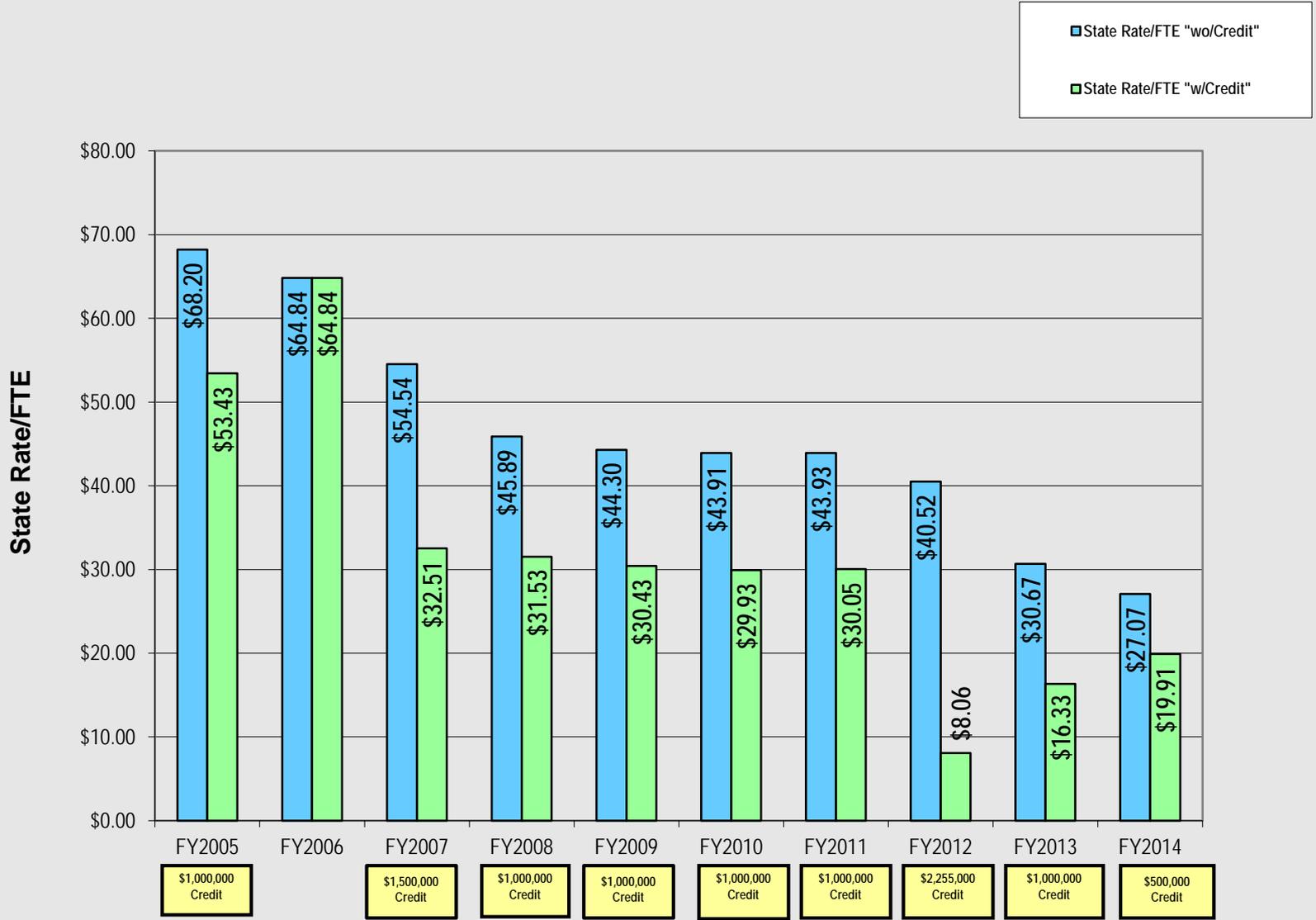
# Summary

- Current system can be improved upon
- More efficient systems available
- Similar existing state insurance programs have already proven to be effective in reducing costs

# Frequency (Ultimate Claims/1000 FTE's) As of 6/30/13

TORT Frequency  
Linear (TORT Frequency)





# Property and Liability Premium Credits Over the Past 10 Years



**Note: Credits Do Not Include Commercial Insurance Premium Reductions**

# Where to submit data?

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