

MEMO

Date: November 15, 2016

To: President McLaughlin

From: Mike Harrington, Chair of the Insurance Committee

CC: Board of Trustees

Subject: 2017 Insurance Program

The Insurance Committee (The Committee) met on November 8, 2016, to consider and select insurance programs for the village for 2017.

Property/Casualty/Liability Coverage/Renewals 2017

The Committee decided to renew the village's Property/Casualty/Liability policies with Travelers Insurance Company for 2017, with coverages substantially similar to those of 2016.

The Committee also decided to renew its Commercial Umbrella/Excess policies, with Travelers as the lead underwriter for the Umbrella.

The Committee decided to renew its Workers Compensation program with IPRF. The Year-over-year premium will increase by 14.6% to \$89,596 due to a combination of increased payroll and an increased rate related to a higher claims history the past two years.

The Premium for the overall Liability insurance program for 2017 is \$182,415. This is 8% greater than the premium for 2016 but 17% less than the premium for 2015.

The amounts for the Liability Insurance program discussed above are included in the proposed budget for 2017.

Health Care

The Village utilized the Blue Cross Blue Shield (BCBS) Silver PPO health insurance program for 2016. Renewing this program for 2017 would require a 22.07% increase in the annual premium. Accordingly the Committee explored several possible alternatives.

A Humana program was not price competitive and options proposed by United Healthcare involved higher deductibles and smaller physician and hospital networks compared to BCBS. The Committee also

considered that moving to an alternative carrier would involve disruption to our employees and their families.

The Committee decided to utilize the BCBS Bronze PPO medical plan for 2017. The BCBS Bronze PPO plan has higher deductibles than the BCBS Silver PPO plan but the annual premium is more reasonable at \$58,000 less than renewal of the Silver plan and 5.3% higher than the 2016 Silver plan.

The Committee believes the projected “all in” cost of the Bronze plan, which includes the annual premium and disbursements for the Health Reimbursement Arrangement (HRA), which is the village’s projected share of the total deductibles in excess of the employee’s \$500/\$1000 share for individual/family coverage, will ultimately result in a modestly higher 5.9% overall cost to the village for 2017 compared to 2016 but still 11.3% lower than 2015. The projected “all in” cost of the selected program for 2017 and a comparison to recent years is included below.

| | 2015 | 2016 Estimated | 2017 Projected |
|--------------|-------------|-----------------------|-----------------------|
| Premium | 425,000 | \$342,481 | \$360,591 |
| HRA | 168,855 | \$148,200 | \$159,000 |
| Total | 586,065 | \$490,681 | \$519,591 |
| % YOY Change | | -16.3% | 5.9% |

The total amount included in the 2017 proposed budget for Health Insurance is \$571,502, calculated as follows:

| | |
|---------------------|-------------------|
| Full HRA | \$265,000 |
| Annual Premium | \$360,591 |
| Less Employee share | <u>(\$54,089)</u> |
| TOTAL | \$571,502 |

Although actual usage of the HRA the past few years has been about 55%-60% of the full HRA, we believe it is prudent to conservatively budget for the higher full HRA rather than the projected HRA. We continue to gain experience with managing our health insurance costs via higher deductible plans and we now have all employees (including uniformed officers) sharing in the cost of the deductibles, which likely influences how employees utilize the health care benefit.

The Committee approved renewal of the **Dental** plan with Guardian Insurance at an annual premium of \$37,129, which is included in the proposed budget.

The Committee approved renewal of the **Life and Accidental Death and Dismemberment** policy with Dearborn National at an annual premium of \$1,571, which is included in the proposed budget.

Finally, the Committee approved renewal of a **Long Term Disability** policy for employees who are not covered under their pension arrangement. The annual premium of \$1,114 is included in the proposed budget.