

ccmsi matters

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Succeeding Over the Long Haul ...

– *Mid-West Truckers' Work Comp Program Robust After 17 Years*



The Mid-West Truckers Risk Management Association (MTRMA) was born in 1990 – during a hard insurance market thick with “carriers who did not want to write workers’ compensation for the trucking industry,” says Bryan Thomas, CEO of CCMSI. The average loss ratio within the industry was 75 percent, insurance premiums were outrageous, and often, trucking companies were underinsured or left hanging with no work comp coverage thanks to a sudden termination by their carriers.



At the time, Thomas was a newcomer to CCMSI charged with working at the grass-roots level to help develop a solution: the first self-insured workers’ compensation group for truckers in the nation. The goal was to provide affordable and stable long-term workers’ compensation coverage for reputable and qualifying trucking companies in Illinois.

Since inception, through hard and soft insurance markets, MTRMA has enjoyed a successful track record – returning more than \$10 million in workers’ compensation premiums to members since inception.

While many other self-insured groups have failed, MTRMA keeps on “trucking” – delivering massive advantages to members, according to Jeanne Campo, secretary treasurer of the Midwest Truckers Association (MTA) and an MTRMA Board of Director. MTRMA’s long-term success is a result of a variety of factors, according to members and administrators, including MTA’s backing of the program, a disciplined underwriting platform, CCMSI’s team-management structure, aggressive claims management, effective loss control and intimate knowledge of the trucking industry.

THE CRITICAL BACKING OF MTA

The support of MTA cements MTRMA, and is likely the most critical component to the self-insured group’s long-lasting success, according to members. MTA recommends

that its 2,650 members consider MTRMA as their workers’ compensation solution and greatly facilitates communication to MTRMA members. Without MTA’s backing, it would be more difficult to gain quality members into the self-insured pool, according to Thomas.

Vince Luckey is president of Luckey Trucking Inc., in Streator, Ill., a company boasting 150 employees, 140 trucks and 300 trailers. Luckey Trucking transports bulk plastics, liquid chemicals and dry-van freight within a 12-state region and became a member of MTRMA at its inception. “Our experience

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Q & A on Self-Insured Group Workers' Compensation

— with *Pat McLaughlin*, executive director of Illinois Movers' and Warehousemen's Association



Patricia McLaughlin, executive director of the Illinois Movers' and Warehousemen's Association (IMAWA) since 1989, holds more

than 35 years of experience in the industry. She was instrumental in helping form the Illinois Movers' and Warehousemen's Risk Management Group, a self-funded workers' compensation pool, where she also serves as executive director. A registered Illinois lobbyist and member of several Illinois business coalitions and the American Society of Association Executives, she is also the recipient of the Orin C. Hutchcraft Quality Service Award – the highest honor bestowed by the IMAWA.

Q. Where does workers' compensation rank on an employers' list of industry concerns?

A. Since state law and ethical management require employers to carry workers' compensation insurance, it is a hefty cost of doing business. Such a significant and unavoidable cost has a direct impact on a company's profitability.

Q. What was the purpose of forming the self-insured work comp group and how is that program a benefit to members? Are there negatives? What are they?

A. IMWRMG was formed in 1989 because the commercial market appeared to be taking unfair advantage of the moving industry in pricing workers' compensation coverage. Most moving companies were forced into the assigned risk pool by the commercial market, which didn't want to write mover coverage at that time. The benefit of IMWRMG became apparent when studies showed that the loss history for most movers did not warrant such high costs. Our program was able to offer the required coverage, superior loss control services, and provide employers with more control over how claims were settled – and all this at a reduced annual cost. I think you'll find that the companies who understand and embrace the basic principles behind self-funding and who have strong loss control measures in place don't find "negatives" with our program. Those who give only lip service to loss control and employee training end up with high claims ratios, and the resulting higher costs.

Q. Why does this self-insured group work, where many others fail?

A. Our Board of Trustees takes seriously their fiduciary responsibilities for this program. CCMSI, which has managed our program since 1989, has high standards with regards to their staffing, and they are open to new ideas and suggestions from

the Board and the members. Many changes in our program have occurred since 1989. Some were the result of growing pains, some were the result of changes in regulation, but most were the result of innovation and thinking outside the traditional box.

Q. Success is a broad term. Why do you consider the IMWRMG a success?

A. Our program has maintained an excellent overall loss ratio since the inception of our program. Our participating members are loyal, and our renewal history is outstanding. Satisfied customers who support the basic principles – and understand why the basics are important – have made ours a strong and growing program. We're all delighted with its success.

Q. How critical is the Association's backing of IMWRMG?

A. The Association staff knows the industry and the individual players. Because our Association benefits from long-time loyal members, our backing of IMWRMG gives instant credibility to the program. We know our audience, and therefore provide good advice about marketing, history and probable trustworthiness about prospective participants, etc. Working together on a regular basis saves time and angst in the long run.

Q. Please describe how communication/collaboration flows between IMWRMG members, the association and other partners and excess carriers?

A. One of the benefits our members enjoy in working with IMWRMG is that they have a real person to call if they have questions they feel uncomfortable about asking the administrator's staff, or if they have a beef about something. Nearly 50 percent of our members have been with the Association for 25 years or more. They know if they call the Association for help, they'll get it, because our first priority is customer service. Many times in a commercial marketplace, customer service and loyalty aren't forthcoming.

Q. If an association is interested in exploring self-insured group formation, what is their first step?

A. Do the research on the third-party administrator. Check references and check them thoroughly.

SELF-INSURED GROUPS:

Keys to Self-Insured Group Formation

Self-insured groups generally form out of a necessity to drive insurance costs down. They first originated in the United States during the 1980s – a time when a hard insurance market limited availability of workers’ compensation coverage and premiums soared. Since then, self-insured groups have come and gone. It seems, the self-insured groups that have stood the test of time – benefiting member companies through hard and soft markets – are those which were properly structured at inception, and today, remain aggressively managed.

In this article, experts experienced in self-insured group formation and management offer their insight on how to establish a successful self-insured group, and simultaneously, avoid the governmental clutter, pitfalls and headaches along the way ...

THE BASICS OF SELF-INSURED GROUPS

Self-insured groups are designed to provide the benefits of self-insured companies to like organizations without the size or ability to self-insure on their own.

Each member of a workers’ compensation self-insured group contributes to a collective fund, which is used to pay for operating expenses such as claims and administrative costs. Simultaneously, that fund is invested for additional gains. Because a self-insured group can include a large number of companies in a myriad of sizes, each member of the group contributes differently to the fund. A member with a high loss history and large payroll contributes more than a small company with a low loss history.

In general, self-insured groups help create a stable market within a specific industry for workers’ compensation, according to Ed Costner, president of Casualty Actuarial Consultants. Costner’s company provides professional casualty actuarial services to the risk management industry, and in doing so, serves approximately 100 self-insured groups nationally.

“In self-insured groups, profits gained from underwriting are returned to the membership instead of an insurance company,” he says. It’s also easier to control program costs by unbundling services, such as claims and loss control, and finding third-party administrators (TPA) to handle them. Moreover, profits are returned to members based on the profitability of the members’ accounts, he maintains. Thus, there are significant benefits for member companies.

KEYS TO BIRTHING A SELF-INSURED GROUP

The entire self-insurance group formation process – from start to finish – can span six to 18 months, according to CCMSI CEO Bryan Thomas, who’s personally been involved in the development of six such groups. CCMSI caters to around 60 self-insured groups, often handling claims, loss control, accounting and new member solicitation.

Typically, groups are formed with the support of an industry association, attests Thomas, which includes a number of member businesses. That foundation is critical to long-term success of the program, according to experts.

Panel of Experts

Patricia McLaughlin, executive director of the Illinois Movers’ and Warehousemen’s Association

Jon Richardson, Holmes Murphy Insurance Agency

Bryan Thomas, CEO of CCMSI

Ed Costner, president of Casualty Actuarial Consultants



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SELF-INSURED GROUPS:

KEYS TO SELF-INSURED SIG FORMATION *continued*

BACKED BY A PROFESSIONAL ASSOCIATION

Without a professional association backing a new self-insured group, it may never get off the ground, according to experts. Patricia McLaughlin is executive director of the Illinois Movers' and Warehousemen's Association (IMAWA). She was heavily involved with forming the self-insured group for this association – Illinois Movers' and Warehousemen's Risk Management Group (IMWRMG). Not only does the Association's staff know the industry and the individual players, McLaughlin points out that the Association's backing of the group delivered instant program credibility.

Additionally, Thomas maintains that the association should be in it for the members' benefit. "Endorsement of a legitimate business association is absolutely critical to success," says Thomas. "If it is the association's goal to have a member benefit, you'll have a great program. If they only want a piece of the action, it will never work."

The association must "commit to having good people on the board of trustees for the self-insured group" once it is formed, adds Costner, who warns that the association must carefully choose partners to get the group off the ground.

CHOOSING THE RIGHT PARTNERS – EXPERTS IN SELF-INSURED GROUPS

Once the association supports the self-funded concept, the association chooses its business partners – TPA, brokers, accountants and additional service companies. Careful selection will deliver economy, credibility and results, according to Thomas, Costner and McLaughlin.

The TPA helps the association determine if a self-insured group is wanted by potential members and financially feasible. Then, that TPA will move forward to gain governmental approval, underwriting and handle administrative and management functions, if desired.

McLaughlin knows first hand that getting in with the "wrong crowd" can be financially devastating. Her association's first choice to handle the formation of IMWRMG resulted in loads of money and time lost. "We wasted an entire year with a scam guy," she says. "If

you don't pay attention to the people you hire to manage the program, you can have immediate, catastrophic results for members," she warns. "You need to make sure that you select a TPA that is experienced, credible and trustworthy."

IS THE CONCEPT REALLY FEASIBLE?

That TPA will then help the association determine if a self-funded pool is financially feasible. Is group formation practical and advantageous?

During this stage of the game, the TPA clearly and skeptically evaluates whether or not forming a self-insured group would be beneficial to members, according to Thomas. Often, surveys are distributed to potential members in order to gather critical data relating to workers' compensation.

The process is technical and detailed, according to Costner. "You must take members' losses and payrolls of prior years and use that data to forecast expected losses for the upcoming period. Then you add on expenses the trust must pay, including excess insurance, the TPA fees, commissions, premium taxes and administration. You need to know that at the end of the day you'll have enough money to pay losses and expenses," he says.

He also warns that financial documents vary from state to state. Some states require financial information on every member, and some just on core groups. "In the end, you must have the blessing of the state regulatory agency to start the group," he adds.

Once data indicates a self-insured group concept is feasible and beneficial, the TPA works to locate excess insurance carriers, gain governmental approval and solicit quality members.

GOVERNMENT APPROVAL

It's important to note, according to Thomas, that each state's regulatory requirements are unique. A skilled TPA with a proven track record establishing self-insured groups is key to leading the asso-

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- Patricia McLaughlin, executive director of IMAWA

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- Ed Costner, president of Casualty Actuarial Consultants

ciation through the regulatory maze. They will prepare and submit applications to the state regulatory agency and obtain certificates of authority and required bonds. This involves meeting with the division of workers’ compensation, providing projected financial statements, and demonstrating that the members of the group operate within the same industry and have the same governing classification. At this time, it is necessary to also submit a business plan for the group, a copy of the bylaws, a listing of membership and a listing of service providers, according to Thomas.

ESTABLISHING UNDERWRITING

Thereafter, the TPA makes recommendations on rate structure and funding levels to the group’s board of trustees; provides underwriting guidelines and quotations for prospects; and develops financial



projections and an operations plan. At this point, members officially buy into the group concept.

Warning! It is essential to gain quality members who present low loss ratios to underwrite the new group, according to experts. Otherwise failure is imminent.

Jon Richardson of Holmes Murphy Insurance Agency, in Peoria, Ill., helped solicit members for Mid-West Truckers Risk Management Association in the early 1990s. “Not obtaining a quality group of members to underwrite the program is a common mistake of many self-funded groups,” he attests. “You have to include companies in the pool who take a proactive approach to safety.”

Thomas agrees. “You can’t lose the underwriting discipline or it will be over,” he warns. Often, gaining membership involves personally visiting companies in order to fully explain the advantages of the program.

“Our philosophy is to be candid and open to association members,” says Thomas. “If they don’t meet the underwriting criteria their company doesn’t qualify. But, we work with them and tell them what to do to qualify. It works. We’ve had countless companies over the years who have improved and come into a group.”

COVERAGE COMMENCES

Finally, after months of effort by the association, TPA, excess carrier and the self-insured group’s board of trustees, workers’ compensation coverage commences. The group’s management and administration does so, as well. ■

(In our next issue of “CCMSI Matters,” look for our second article in the series on self-insured groups focused on management!)

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SUCCEEDING OVER THE LONG HAUL *continued*

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mod was .72 and out of the clear blue we were canceled by our insurance company with no claims," says Luckey. "I hammered Bryan Thomas with hard questions to find out the downside of joining MTRMA. But, there wasn't a glaring

downside. A lot of the reason we decided to join was because MTA was behind it and because Bryan had faith in it."

The same holds true for Landes Trucking Inc., in Jacksonville, Ill., which employs 95 people and serves the Midwest by transporting vegetable oils and liquids. In 2000, the company became part of MTRMA after enjoying a 10-year membership with MTA. "I knew better trucking companies were allowed into MTRMA and thought we were a good fit for the program," says CFO Debbie Landes.

Faith in MTA continues to facilitate faith in MTRMA ...

UNDERWRITING – CAPTURING QUALITY MEMBERS WITH LOW LOSS RATIOS

But, that doesn't mean MTRMA welcomes any trucking company to become part of the group. Rather, the most common mistake of self-insured groups is a lack of underwriting discipline, according to Jon Richardson of Holmes Murphy Insurance Agency, in Peoria, Ill. Richardson, who worked for CCMSI at the time MTRMA was formed, was

responsible for gaining quality members to underwrite the program. Underwriting, he believes, should comprise a solid membership of businesses with a proven low loss ratio.

“The reality is that it's important that the integrity of underwriting is there for the longevity of the program. You have to have company members who take a proactive approach to safety.”

- Jon Richardson, Holmes Murphy Insurance Agency

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From the onset, MTRMA only worked with trucking companies with a 30 percent loss ratio or less. “We were able to identify why those companies had fewer claims than peers in the same industry,” adds Thomas. “That helped us further sharpen our underwriting criteria to describe the types of trucking companies we sought. We also tried to work with companies that had been around and profitable for years, with established employees and management.”



Once in the pool, most businesses strive to improve and lower losses, according to Rob Stock (left), vice president of Stock Transport, in Lebanon, Ill. “You feel a connection with other MTRMA members to work together toward a better loss history and a better return premium,” says Stock, whose company specializes

in hauling steel throughout the Midwest, South and Southeast.

TEAM-MANAGEMENT APPROACH

By working together everyone wins. At least that's CCMSI's philosophy. “When we put

together the MTRMA program, we wanted a CCMSI team dedicated to the program,” says Thomas. “We wanted them to sleep, eat and drink truckers in order to develop real industry expertise and real relationships with our trucking company members.”

This resulted in more efficient, knowledgeable and effective MTRMA management and administration, and made the process more personal. Thus, CCMSI manages a number of facets of the MTRMA program with one team of professionals dedicated to claims, loss control and safety, operational underwriting, accounting, and program coordination.

“Our members deal directly with trucker teams at CCMSI,” says Campo. “These people are very dedicated to the program. There is one group of people who take care of members.”

“The number one reason we enjoy our relationship is because of the knowledge base of the MTRMA adjusters who really know the industry,” adds Stock. “The people understand the laws of workers' comp to protect our dollars and they look out for

the benefit of the injured employee and our company,” he says. “It’s a delicate balance to try to rehabilitate an injured employee and get them back into the labor pool as soon as possible.”

AGGRESSIVE AND PERSONAL CLAIMS MANAGEMENT

Moreover, it is because of that industry-specific expertise that claims are more efficiently handled, according to members. When performed correctly, members agree aggressive claims management will unveil fraudulent claims, close claims more quickly, prevent injured employees from seeking legal action, and show hurt employees they are cared about and wanted back at work.

“By far the strongest benefit of MTRMA membership is claims handling,” says Luckey. “Too many insurance companies pay anything without checking the claim out. CCMSI checks into every claim and makes sure it is legitimate. It’s a win-win for us.”



Landes (left) agrees. “I know the claims people on a first-name basis and we work the claims together,” she says. “They listen to my input and that’s important. Each claim is individualized and if I feel

there may be chance of fraud, I tell them and they follow up on it.”

A LITTLE HELP WITH LOSS CONTROL & SAFETY

Similarly, CCMSI works closely with MTRMA member businesses on loss control strategies and return-to-work programs, according to CCMSI’s MTRMA Account Manager Deb Reddy. In doing so, these loss control experts help members with customized safety programs, hiring and training manu-

als, safety incentives and monthly risk reminders – all in an effort to reduce their work comp claims.

“Jason Smith visits us once a year, conducts a survey and comes back with suggestions on how to improve the safety portion of our business,” says Luckey of his CCMSI loss control expert. “It helps to have an outside set of eyes because you can get so accustomed to the forest you can’t see the trees.”

Workers’ compensation is a primary concern for the trucking industry. “It can be so costly to a business,” says Landes. “Every accident you have can count against you for three years. In this day and age with attorney commercials about suing people, a claim for \$1,000 can become huge.”

“I talk to Jason quarterly regarding risk reminders and continual safety education,” adds Stock. “I pass on safety information to employees to keep them thinking about safety every day.”

CAPTURING A RETURN

Thus, MTRMA has succeeded largely as a result of satisfied members who gain more from MTRMA than conventional workers’ compensation coverage. “The greatest distinction of MTRMA is that members may be eligible for a return of contribution, which private insurance companies never provide,” according to Campo. “Since inception of the program we’ve returned 10 million to members. That’s a big incentive,” she says.

“Claims adjusters are personally interested in the injured employee and take great strides to ensure they receive proper medical care and return to work in modified duty as soon as possible.”



- Vince Luckey, president of Luckey Trucking, Inc.

Although Luckey Trucking hasn’t received premium dollars every year, the company has captured returns the last three of four years. “We have some improving to do. It’s a good incentive to let people see real quick the results of having fewer work comp claims,” Lucky says.

Stock Transport enjoyed a one percent loss ratio this year and should see a significant return as a result. “MTRMA gives you something to work for,” says Stock. “It’s about keeping employees safe and thinking safe. We’ve enjoyed the relationship.”

As for Landes Trucking, the company received \$20,000 and \$25,000 back the last two years. It stands to reason, Landes reports, that a low claim year can generate premium returns, while a high claim year may demand additional payments. “But, if I have a bad claim year, I know the figure I have to pay up-front, and that helps,” she adds. “I get other quotes on work comp insurance, I compare rates, and MTRMA has always been more competitive than any other company I’ve looked at.”

For more information on MTRMA, visit www.ccmsi.com/mtrma. ■

Home Builders Association (HBA) Declares Dividend

The Board of Directors for the Home Builders Association (HBA) recently declared a dividend distribution in the amount of \$590,537 which was dispersed to the membership on May 30, 2007. HBA, a self-insured workers' compensation trust for home builders in the St. Louis area, is sponsored by the HBA of Greater St. Louis.

CCMSI has managed the trust since its inception in December of 1993. CCMSI's services include underwriting, claims management, loss control and financial management of the program's investment portfolio. During the lifetime of the Trust, members have benefited from consistent, competitive rates, aggressive claims management and profitable underwriting. In addition to providing a competitive program for its members, the Trust has returned more than \$1 million in dividends to members since its inception.

"This program is very beneficial for the HBA member firms who have taken part in it," says Pat Sullivan, HBA executive director. "A great many individuals who earn a living in the construction trades have had outstanding workers' compensation coverage and their employers who are HBA member companies have benefited from this cost-effective, safety-conscious, well-managed program."

"With the help of CCMSI's professional handling of claims, loss control and finances, the Trust has met its goal of returning equity to its members," states Broker Tim Griffin of C. J. Thomas.



Pictured (from Left to Right):

Tim Griffin (C.J. Thomas), Vern Prinster (V.S.P. Construction Services), Steve Luebbert (CCMSI), Dave Forrest (Maple Park Dev.), Teresa Kelley (CCMSI), Ken Stricker (Consort Homes), Workers' Comp Chair Renee Bell (Waterhout Construction), Tom Kelp (Kelp Contracting), Dan Covert (Con-Tech Carpentry), Bob Behlman (Behlman Builders), HBA Executive Vice President Pat Sullivan, Jim Brennan (McKelvey Homes) and Ted Weatherford (The Jones Co.).

Stop by the CCMSI booth at the National Work Comp & Disability Convention in Chicago on November 6-8. Booth #331!



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