

DISTRICTS MUTUAL INSURANCE

2004 YEAR END LOSS ANALYSIS



UNITED HEARTLAND, INC.

July 8, 2005



AGENDA

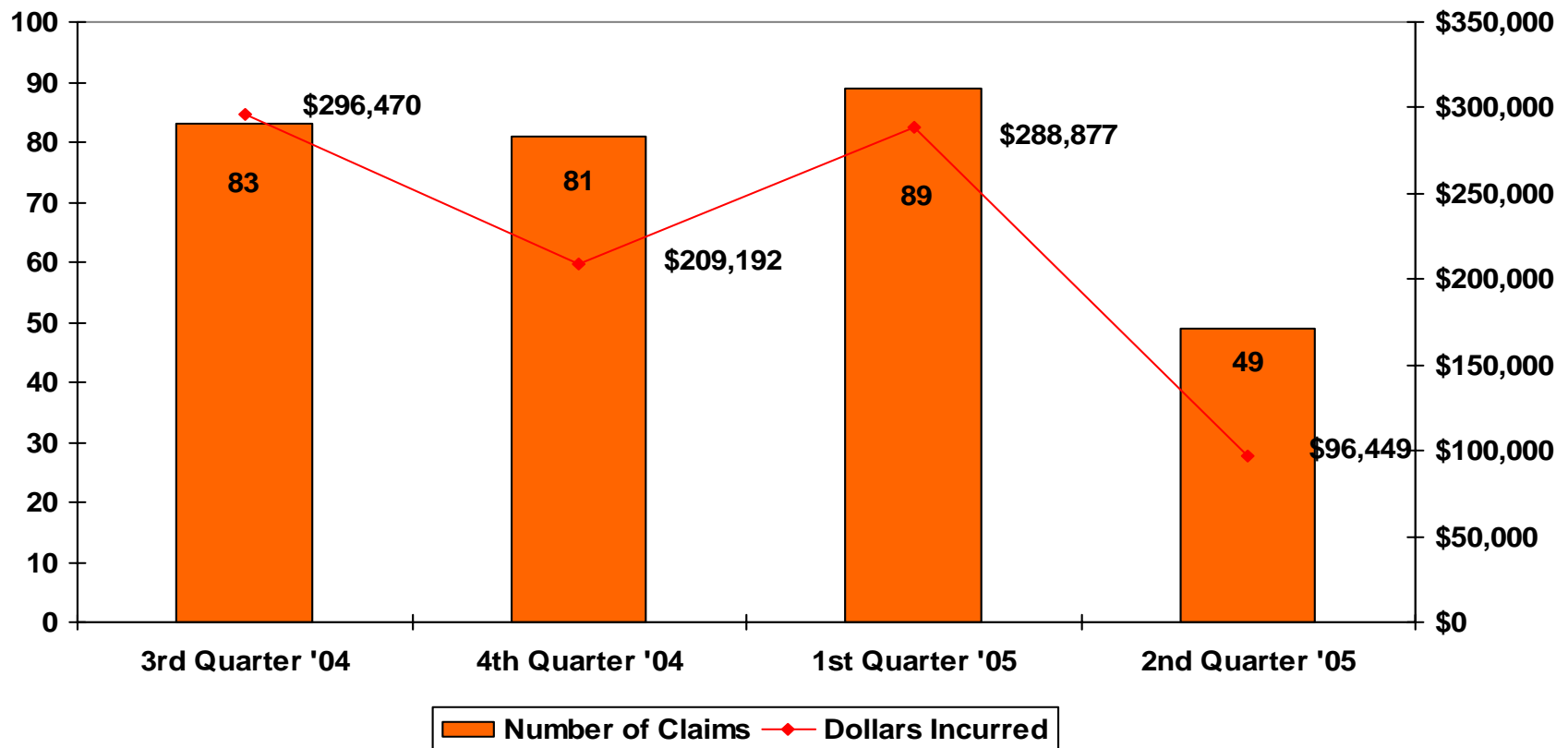
- Review of losses trends in DMI's first year
- Indemnity Claim Analysis
 - Impact on Experience Modification Rate
- Average Days to Report Injuries
 - Importance of Prompt Reporting
- Updated Dirty Dozen List



DISTRICTS MUTUAL INSURANCE

Frequency and Severity by Quarter

**results as of 6/30/05*

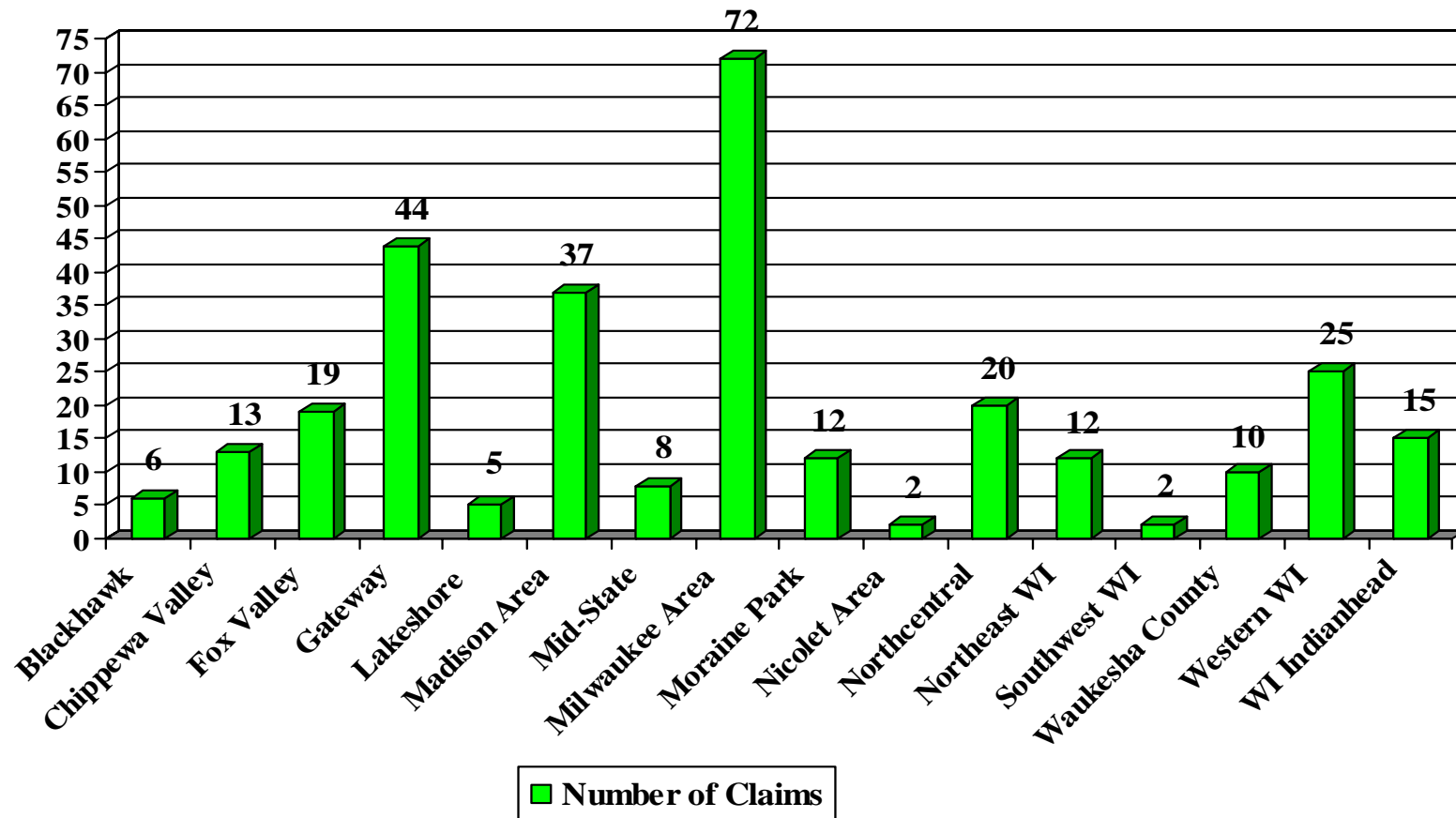


DISTRICTS MUTUAL INSURANCE

Number of Claims Reported by District

July 1, 2004-June 30, 2005*

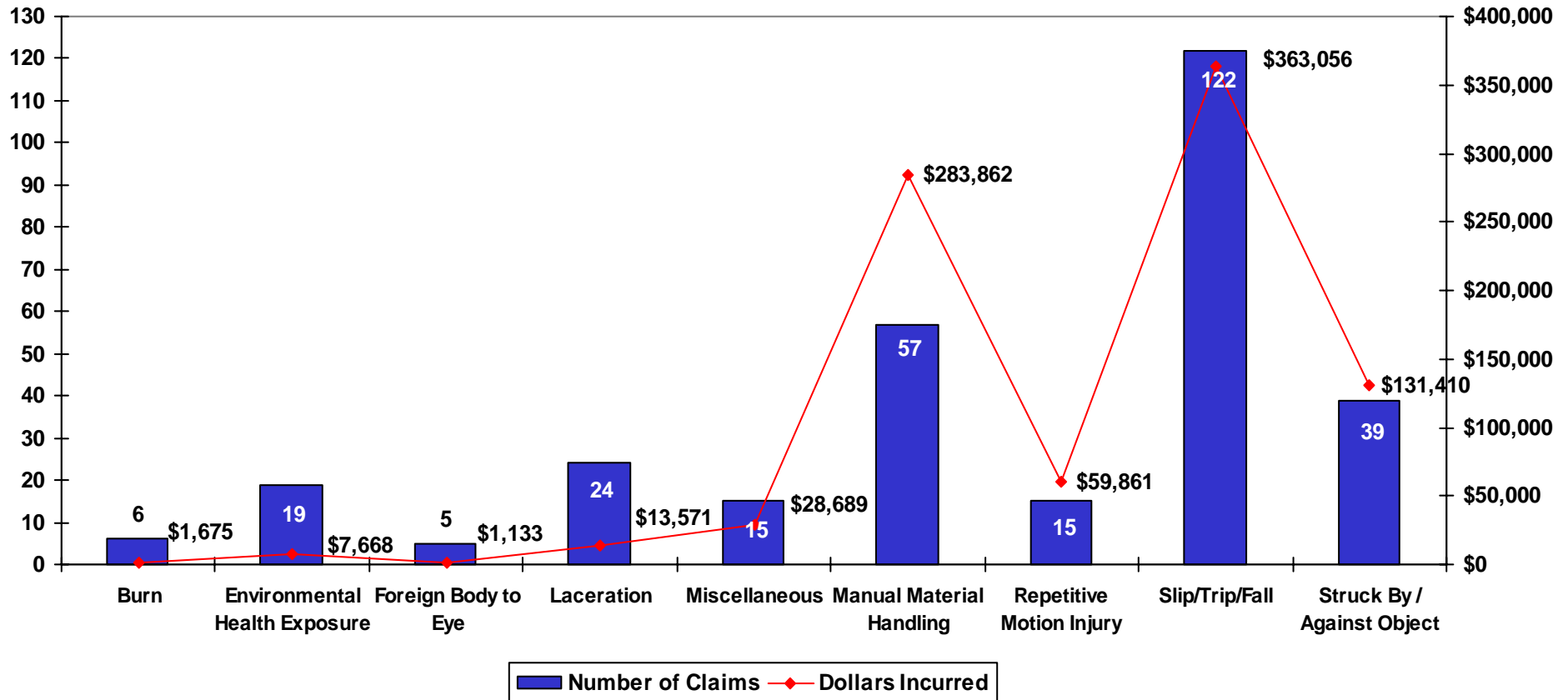
**results as of 6/30/04*



DISTRICTS MUTUAL INSURANCE

Loss Analysis: July 1, 2004-June 30, 2005*

**results as of 6/30/05*



DISTRICTS MUTUAL INSURANCE

- Total of 302 claims reported through first 12 months since DMI inception.
- 31 of these claims have been categorized as “Indemnity”
 - Wage Loss
 - Temporary Total Disability
 - Temporary Partial Disability
 - Permanent Partial Disability



DISTRICTS MUTUAL INSURANCE

Medical Only vs. Indemnity Claims*

**results as of 6/30/05*

Type of Claim	Number of Claims	Percentage of Total Claims	Dollars Incurred	Percentage of Total Incurred
Medical Only	271	89.74%	\$292,570	32.84%
Indemnity	31	10.26%	\$598,354	67.16%

Note: \$415,940.25 (69.51%) of the total incurred for Indemnity Claims is currently in reserves



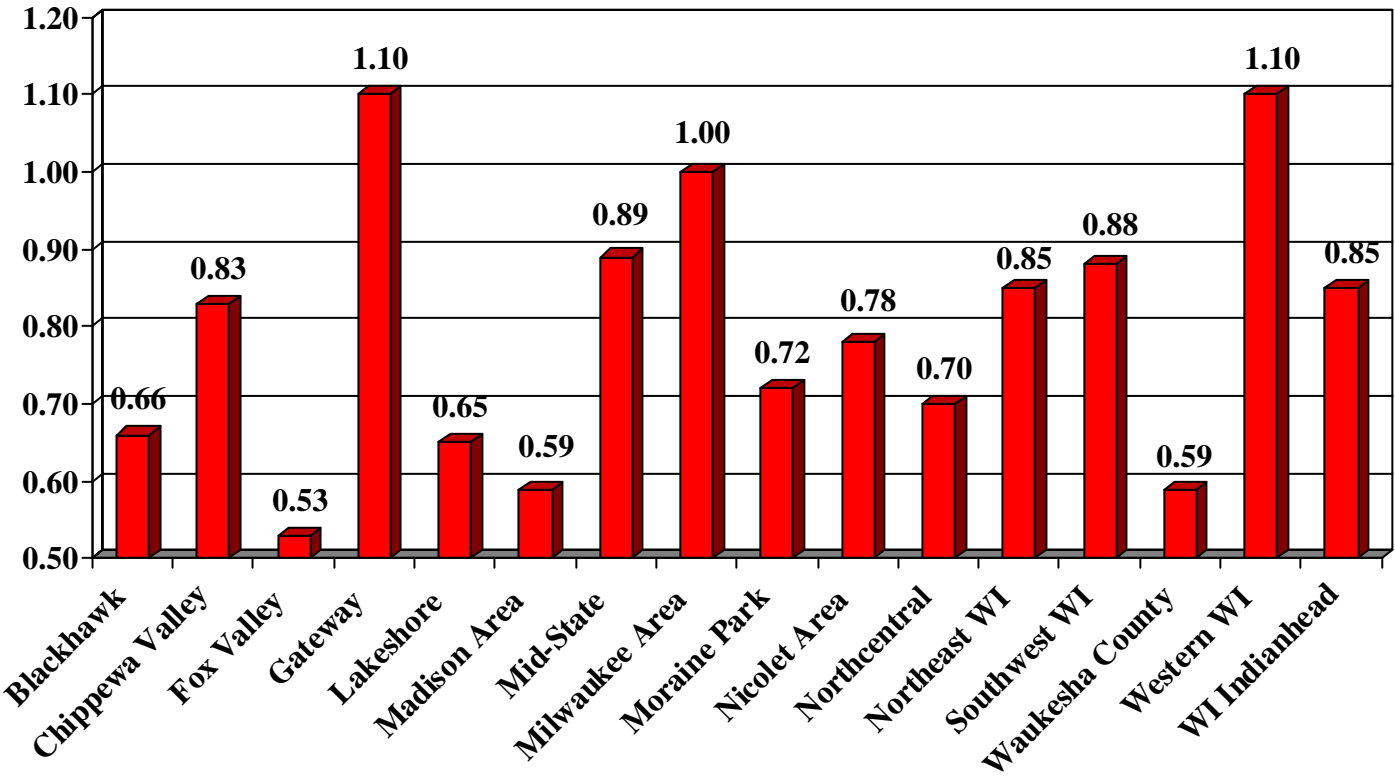
What is the Experience Modification Rate?

- It's an indication of how safe or unsafe an organization has worked over the last three year period.
- This number is given to each organization by the state. The number will change each year at the policy effective date.
- If less than 1.0, it's considered a credit modifier.
- If it's greater than 1.0, it's a debit modifier.
- Current Experience Modification Rates for DMI: **0.53 to 1.10**



DISTRICTS MUTUAL INSURANCE

Experience Modification Rates by District-2004



EXPERIENCE MODIFICATION RATE

- ULTIMATELY DETERMINES **COST**
- USES **3 YEARS** OF PAST HISTORY
- TAKES **3 YEARS** TO DO / UNDO
- **PRIMARY GOAL** IS TO CONTROL



EXPERIENCE MODIFICATION RATE POLICIES USED TO DETERMINE

2004-2005

CURRENT POLICY
PERIOD

2003-2004

YEAR IN WAITING

2002-2003

**YEARS USED TO
DEVELOP THE
CURRENT MOD.**

2001-2002

2000-2001

1999-2000

THE 1999-00 YEAR
DROPS OFF



EXPERIENCE MODIFICATION RATE POLICIES USED TO DETERMINE

2009-2010

CURRENT POLICY YEAR

2008-2009

YEAR IN WAITING

2007-2008

YEARS USED TO
DEVELOP THE MOD

2006-2007

2005-2006

2004-2005

THE 2004-2005 YEAR
DROPS OFF



INDEMNITY CLAIM IMPACT ON EXPERIENCE MOD RATE

- Medical only claims are reduced in formula by 70%
- Lost wage claims are not reduced.
- Business w/ \$40,000 annual WC premium has a claim:
Medical=\$5,066, Indemnity=\$54.
- Premium Impact: Instead of inserting \$1,250 ($\$5,066 \times .30$) into formula, \$5,120 is used. Experience Mod calculates to **.85**, instead of **.80**.
- Difference in final premium due: \$2,390
- **When multiplied over three years:** **\$7,170**



INDEMNITY CLAIM IMPACT ON MOD RATE FOR DMI CLIENT

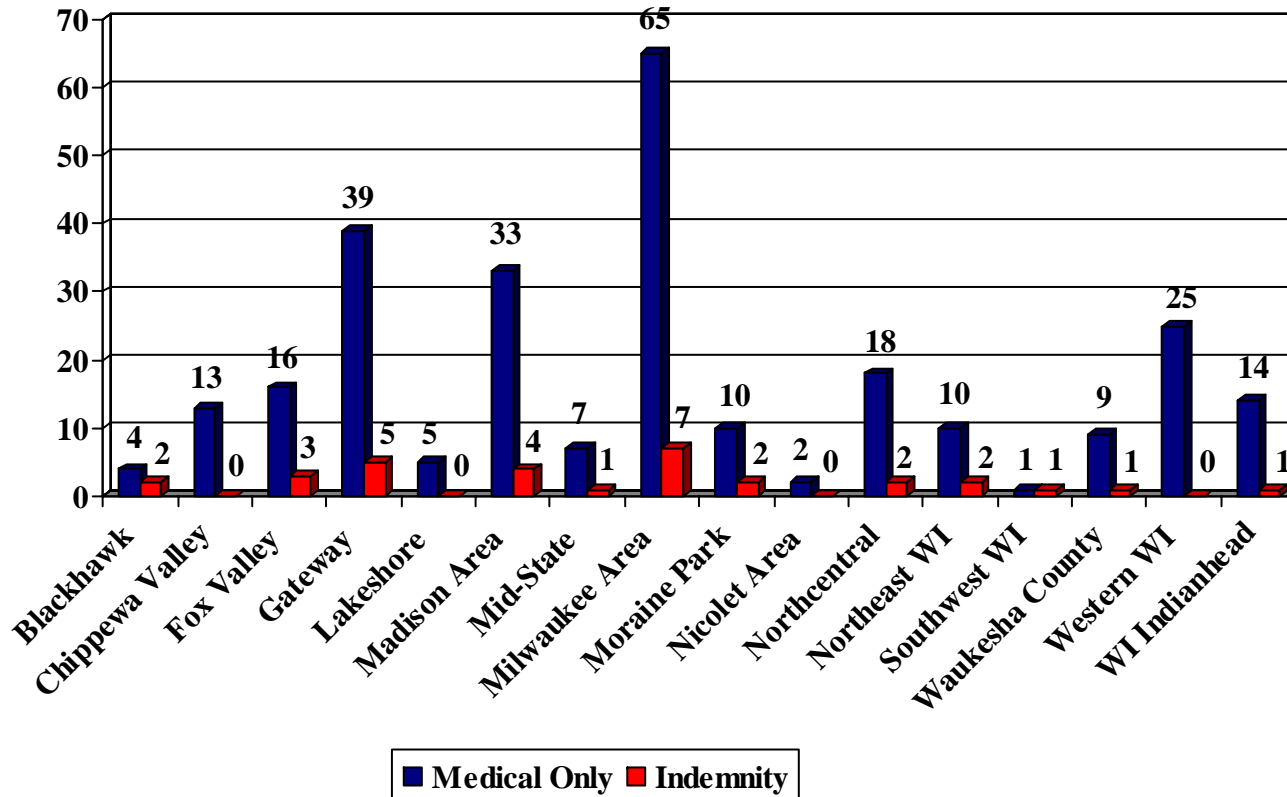
- District had claim as a result of knee fracture:
 - \$8,850 medical costs
 - \$7,500 lost wages
- Employer originally salary continued injured employee, then requested re-imbursement for lost wages.
- Experience modification impact: **0.63 vs. 0.66**
- Employer's base premium - \$172,729
- Difference in final premium: \$5,182
- **When multiplied over 3 years: \$15,546**



DISTRICTS MUTUAL INSURANCE

Medical Only vs. Indemnity Claims by District*

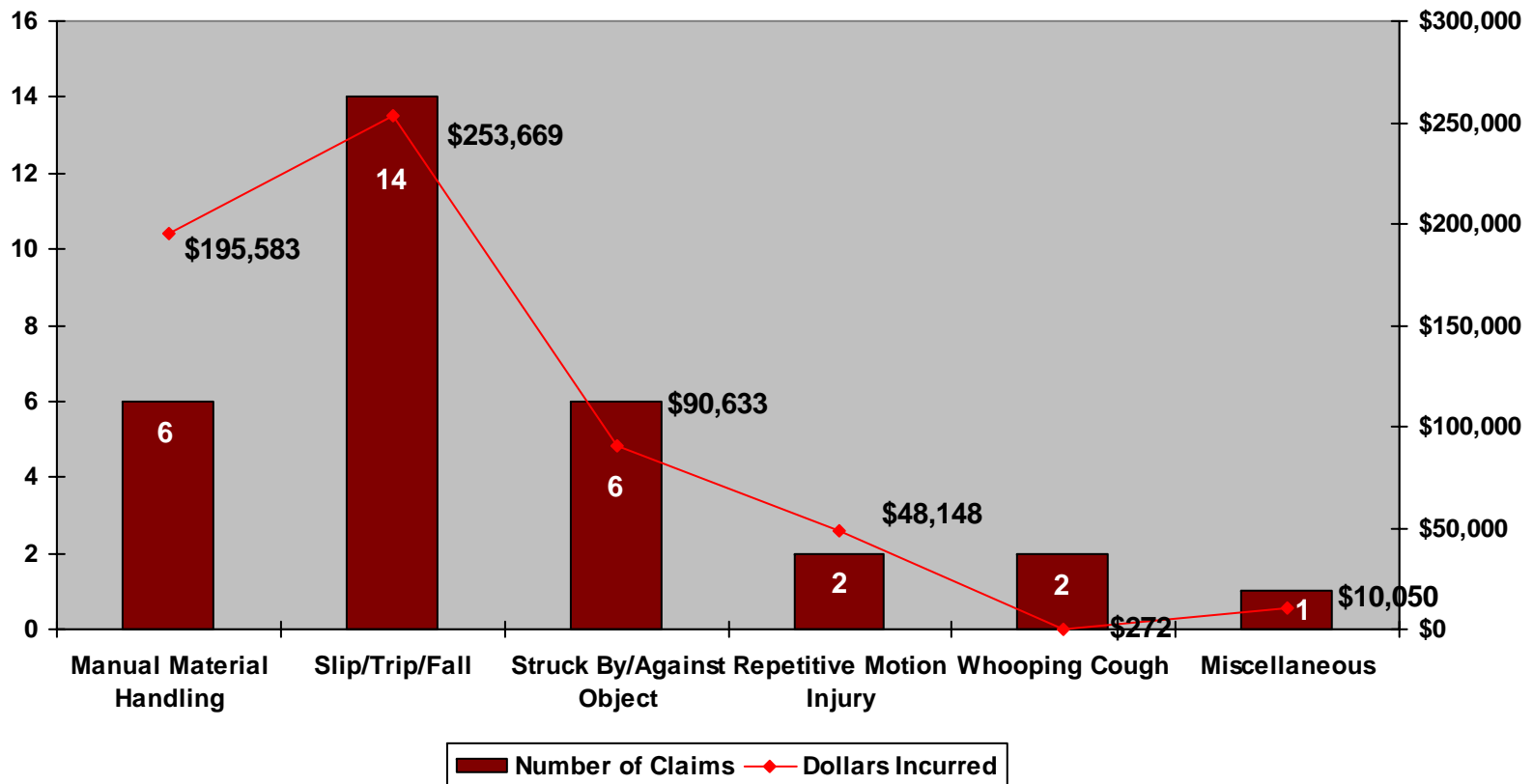
**results as of 6/30/05*



DISTRICTS MUTUAL INSURANCE

Loss Trends Among Indemnity Claims*

**results as of 6/30/05*



DISTRICTS MUTUAL INSURANCE

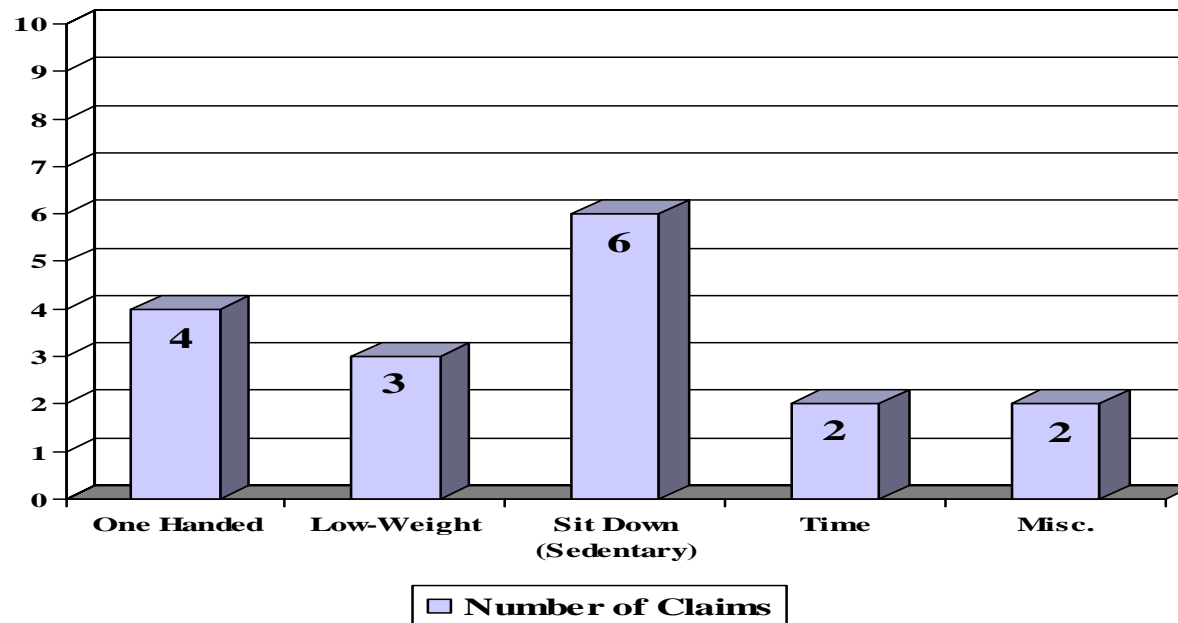
Indemnity Claim Analysis

- 4 of the Indemnity claims have been denied.
- 5 were Salary Continued or ended up being “Medical Only”
- 2 Claims where medical provider did not give restrictions for light duty possibilities
- 18 Claims with TTD Payments
- 3 Claims with TPD Payments
- 6 Claims with PPD Payments
- 9 Claims with one or more of the above.



INDEMNITY CLAIM ANALYSIS

RESTRICTIONS PROVIDED



- Miscellaneous: Wear Splint, No Motorcycle Class Demonstration
- Only One Claim in which the District did not accommodate the restrictions (due to school not being in session). This claim was denied.



MODIFIED DUTY RECOMMENDATION

Formalize Return to Work Program

- Written policy
- Employee responsibilities
 - Notification of light duty work to medical provider
 - Adhering to medical restrictions and keeping appointments
 - Communicate with employer
- Supervisor responsibilities
 - Encourage prompt reporting
 - Accident investigation
 - Maintain contact with injured employee
- Develop pre-determined job list



RATIONALE FOR MODIFIED DUTY

FINANCIAL ADVANTAGES

- Second only to injury prevention in controlling insurance costs
- Excellent means in controlling the cost of claims
- Quickest way to return an employee to full earning capacity
- Reduces extended medical costs



RATIONALE FOR MODIFIED DUTY PERSONNEL ADVANTAGES

- Desire to return to work is proportional to the time away
- Can be utilized to do low priority tasks
- Keep employee on their biological work clock
- Prevents dependence on a disability system
- Prevents employees from using work comp as a vacation supplement
- Ensures visual and verbal contact



UNITED HEARTLAND ASSISTANCE IN MODIFIED DUTY EFFORTS

- Strong emphasis by claims department in getting employees back on light duty
 - 3-point contact
 - Nurses on Staff
- Sample formalized programs
- Sample pre-determined job list
 - Pre-determined task list development



TIMELY REPORTING OF CLAIMS

Claims reported in 2004 Policy*

**results as of 6/30/05*

Days to Report	0-4 days	5-9 days	10-14 days	15-20 days	20+ days
Number of Claims	84	94	47	25	52
% of total claims	27.81%	31.13%	15.56%	8.28%	17.22%

19 claims reported 50+ days after DOI



ADVANTAGES TO TIMELY REPORTING OF CLAIMS

Advantages:

Legal Penalties Avoided

Reduced Claim Costs

Long & Short Term Costs



DISTRICTS MUTUAL INSURANCE

DIRTY DOZEN*

(claims w/ highest amount of dollars incurred)

**claims valued as of 6/30/05*

- Fox Valley-Slip/Trip/Fall-back injury-\$152,250 (I)
- Southwest-Slip/Trip/Fall-broken wrist-\$84,178 (I)
- Milwaukee-Slip/Trip/Fall-shoulder injury-\$48,299 (I)
- Fox Valley-RMI-Hands-\$36,181 (I)
- Gateway-Slip/Trip/Fall-broken arm-\$35,694 (I)
- Milwaukee-Struck By-Knee Injury-\$32,193 (I)
- Northcentral-MMH-Shoulder Injury-\$29,559
- Gateway-Struck by-Head Injury-\$29,015 (I)
- Indianhead-Slip/Trip/Fall-Shoulder Injury-\$28,934 (I)
- Milwaukee-Struck by-Eye Injury- \$24,427 inc.
- Madison-Slip/Trip/Fall-Knee Injury-\$23,987 (I)
- Mid-State-MMH-Knee Injury-\$17,766 (I)

- **These 12 claims represent 60.89% of the total dollars incurred in the current policy for DMI.**
- **Note: 73% of the total incurred is currently in reserves.**



DISTRICTS MUTUAL INSURANCE

Technical School Program Loss Ratio by Policy Period*

**results as of 6/30/05*

