MICHIGAN RESTAURANT & LODGING FUND

FUND REPORT

Fund Renewal 2015

a member owned workers' compensation program

MRL FUND ANNOUNCES PROFIT RETURN

Back to members!

Congratulations MRL Fund Members! The Michigan Restaurant & Lodging Fund is pleased to announce a profit distribution of $5,305,000 to be returned to Fund members! This represents an average return equal to 48% of a member's annual premium. As a member-owned program, all premium collected that's not used for claims and administrative expenses is returned back to members. Since its inception in 1992, the total profits returned are over $50,000,000.

The MRL Fund, a member owned self-insured workers' compensation program, has several distinct advantages over most standard insurance carriers. The MRL Fund's excellent performance has insulated its members from the turbulence of the traditional insurance marketplace. From substantial profit returns to aggressive claims handling, the Fund is the most cost-effective workers' compensation option for its members year after year. Most importantly, Fund members receive stable yet competitive upfront pricing. This competitive pricing, along with the MRL Fund's selective approach to underwriting new members, is designed to save members money on the total cost of workers' compensation over the long term.

By focusing on accident prevention and proper claims management, Fund members continue to keep their costs down as low as possible. The Fund offers its members numerous safety resources and loss control programs that are specific to the hospitality industry. Some of the Fund's educational training focuses on creating a safety culture in the workplace, by working with owners/supervisors on proper claims handling, accident investigation, return-to-work programs and making every employee accountable for safety on the job. The Fund works with loss control specialists who provide sound guidance and cost-saving solutions on safety and loss prevention for its members.

In addition to safety, workers' compensation claims are treated with great diligence in the way they are handled. The Fund is very loss sensitive and sees every claim dollar being spent as their money. The Fund controls these costs by fighting fraudulent claims and by requiring claim settlements to be authorized by a board of trustees, comprised of Fund members.

Participants of the Fund must be a member of the Michigan Restaurant Association or Michigan Lodging & Tourism Association. The majority of payroll must fall into one of the following classifications: fast food, family dining, fine dining, bar & grill, delis, coffee shops, banquet halls, hotels/ motels, resorts, inns.

Congratulations on another exceptional year!

If you're not currently a member, you're missing out on the many benefits the MRL Fund has to offer. Please contact Regency Group for more information or www.mrlfund.org.

Since its inception in 1992, the total profits returned are over $50,000,000

Endorsed by

michigan RESTAURANT association

Michigan Lodging and Tourism ASSOCIATION

Administered by

REGENCY GROUP

CONTACTS

Association
MRA
800.968.9668

MLTA
517.267.8989

Policy Issues
Regency Group
800.686.6640

Jamie Farner x203
Customer Service

JoAnn George x222
Underwriting

Brad Rutgers x225
Underwriting/
Loss Control & Safety

Dan Foster x223
Underwriting/Report Cards
Loss Control/Safety

Dawn Feldpausch x246
Marketing & Sales

Tricia Hickman x202
Payroll Audits

Claims
Mackinaw Administrators
800.372.2428

Impact on *Workers' Compensation*

The Affordable Care Act (ACA), commonly known as Obamacare, was signed into law in 2010. Since that time the ACA has been the topic of much scrutiny and intense debate. The ACA does not directly apply to workers' compensation, but it will dramatically change the healthcare system as we currently know it. While most employers are focused on compliance with the ACA in regards to the health benefit requirements, it is also important to consider the potential impact of the ACA on your workers' compensation program.

In 1950 the healthcare industry represented 4% of our national economy. Currently, healthcare represents almost 20% of the U.S. economy. (It is no wonder that unpaid medical bills are the #1 cause of bankruptcy). This medical inflation has impacted workers' compensation as well. Historically, wage loss benefits represented the lion's share of paid claims. Currently medical payments average 60% of total workers' compensation payments, and it is estimated that by 2020 medical payments will represent 67%.

While it remains uncertain exactly how the ACA will impact workers' compensation, we'll examine some of the potential side-effects—both positive and negative—as well as provide some recommendations on how to prepare for any potential impact.

Possible Positive Side-Effects

Reportedly, the main purpose of the ACA is to provide greater access to healthcare. With more American workers having access to health care, it may eliminate incentives for them to pursue questionable conditions as being work-related. Some also argue that the increased access to healthcare will result in an overall improvement in worker health. Presumably, healthier workers have fewer comorbidities. A comorbidity is the presence of one or more medical disorder in addition to the work injury (i.e.: diabetes or heart disease). Comorbidities are associated with poorer medical outcomes and, consequently, increased claim duration and cost. Healthier workers tend to heal more quickly.

Also, the ACA mandates the removal of the lifetime medical expense cap and the elimination of the pre-existing condition exclusion. Historically, workers nearing their lifetime medical cap limit, or suffering from a pre-existing condition may have attempted to steer these costs toward workers compensation.

Possible Negative Side-Effects

With increased access to healthcare there will be an increase in the demand for healthcare. This increased demand may lead to a shortage of medical providers, delaying medical care and making it a challenge to properly care for workers. This can increase claim costs particularly if the employee is waiting to see a specialist, such as an orthopedist or neurosurgeon.

As more employers are required to provide health benefits to employees, some are utilizing higher copayments and deductibles to offset the increase in costs. Also, workers' compensation reimbursement rates to medical providers are higher. The combination of higher reimbursement rates to providers, and lack of deductibles and copayments for workers, may create an incentive to shift medical care costs toward the workers' compensation system.

How to Prepare for the Effects of the ACA

While the impact of the ACA on workers' compensation is as of yet uncertain, following are some recommendations that should help control costs regardless of the impact.

- ✓ An emphasis on employee Wellness Programs can reduce costs on both the health and workers' compensation areas.
- ✓ Seek out and identify quality medical providers. Develop relationships with these providers and invite them to your facility.
- ✓ Keep focused on Loss Control efforts. Be ever vigilant in ways to heighten awareness and cultivate a safe culture in the workplace.
- ✓ Monitor claim activity for any potential migration towards workers' compensation.

Regardless of your opinion on the ACA, it appears to be here to stay. Taking a proactive stance can help mitigate any negative side effects.

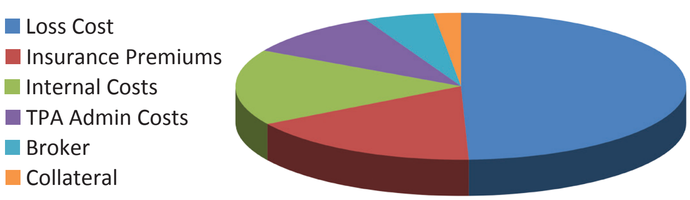
Article by Brad Rutgers, Regency Group – MRL Fund Risk Manager

Protecting Your Profits:
How to Control Your Insurance Program Dollars

Knowing the total cost of managing your risk exposure is more important today than ever before. The recent economic crisis has exerted pressure on virtually every business, resulting in reduced staffs and tighter budgets. The lingering effects of the crisis can seem like a never-ending financial hangover. The proper risk management program will reduce costs, easing the pressure on financial resources.

Historically, the cost of insurance premiums (risk transfer) was viewed as the major cost associated in a risk management program. Today, the cost of insurance premiums is just the tip of the iceberg. There are many costs that can and should be measured and controlled. An appropriate insurance and risk management program will help quantify and manage both direct and indirect costs.

Direct costs include insurance premiums, self-retained losses, administrative costs and broker fees. Indirect costs can include reduced employee morale, poor public relations, downtime, overtime, etc. A healthy risk management program looks at the Total Cost of Risk (TCOR). The pie chart below illustrates risk component costs seen in a typical business. Each component should be monitored and controlled. A well designed program will reduce costs, especially those associated with claims loss—the largest component. Dealing with claims losses can be viewed in two basic categories: Pre-loss and Post-loss.



Pre-Loss. Planning, analyzing, training, and implementing activities to prevent losses should be ongoing and will force you to identify your exposures. Other pre-loss activities should include: work place assessments, policy reviews, loss and trend analysis, employee/supervisor training and education, consultation with loss control specialists (to include security and file protection consulting) and regulatory compliance.

Post-loss. Efforts should be made to mitigate costs and reduce the impact of the loss. Post-loss activities should include: light duty work options, claim review and file audits, preservation of evidence and a subrogation investigation. Following any loss, a thorough review of the facts should be conducted and steps should be implemented to avoid future similar losses. Post-loss there are questions that need to be answered. What was the root cause of this loss? Could the loss have been avoided? Was the insurance coverage adequate?

One of the most critical elements of any risk management program is selecting the proper partners. For instance, any partner should be familiar with your business and the unique risks associated with it. You should partner with an insurance agent that understands your business and its unique exposures. That agent will have the knowledge, experience and resources to: help you control and manage risk; provide adequate protection for assets and liabilities; review the credit worthiness of insurers; and know if an insurer pays their claims fairly and timely.

Implementing and monitoring a comprehensive risk management program can be a very intimidating task. Remember that insurance premiums are just a portion of costs. It is helpful to compartmentalize and examine each cost and component of risk on its own, then look at the program as a whole. Even the best program will not eliminate risk. Losses will occur. Be certain to engage in activities to avoid losses, then review and mitigate them when they happen.

Article by Brad Rutgers, Regency Group – MRL Fund Risk Manager

Did you know…

As a member of the MRL Fund access to a host of safety and training materials is available to your organization free of charge? Midwest Employers Casualty Company (MECC), excess carrier for MRL Fund offers free online access to all fund members! Some of the online offerings include:

- Webinars (live and archived)
- Safety posters and handouts
- PowerPoint presentations
- Industry specific toolkits
- Return to work toolkit
- Workers compensation related bulletins and reports
- OSHA links and updates

To learn more about safety and training resources available through the fund, or to obtain your free online access to the MECC website, please contact Brad Rutgers, Group Fund Risk Manager with Regency Group, at 800-686-6640, x-225, or brutgers@regency-group.com.

FUND REPORT

Michigan Restaurant and Lodging Fund
1690 Watertower Place #500
East Lansing, MI 48823

Endorsed by

michigan RESTAURANT association

Michigan Lodging and Tourism ASSOCIATION

www.MRLFund.org

800.686.6640

Selling Your Business?

Contact Regency Group ... Before You Sell!

Use your equity in the MRL Fund as a selling tool! Before you sell your business, be sure to contact Regency Group to discuss how your remaining equity may be transferred to the new owner. Your equity in the Fund may be an enticing offer for the buyer and could be used as a negotiating point of the sale of your business.

- The buyer must be or become a member of the MRA or the MLTA to participate in the MRL Fund.
- Let the Fund and Association know you are selling.
- The buyer must be a member of the association within 12 months of the purchase date or the date their current workers' compensation policy expires, whichever arrives first.