

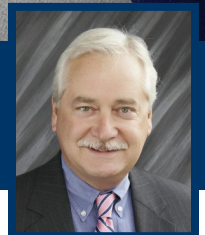
# MECC SELF-INSURED BULLETIN

INNOVATION | STRENGTH | PARTNERSHIP | SERVICE | BEST PRACTICES



## THE PRIVILEGES OF MEMBERSHIP

By Steven Link  
Executive Vice  
President Marketing



The Arkansas Self-Insurance Trust (ASIT) has redefined membership privileges. Between 1992 and 2010, the trust paid out \$20,564,677 in dividends to its members. ASIT is made up exclusively of Arkansas nursing homes, retirement centers, and nursing home management companies and provides workers' compensation insurance for its members. ASIT is governed by a seven member Board of Directors and these directors are elected by the ASIT membership. Formed in August 1992 with 16 members, the self-insurance trust now serves 87 members.

This is particularly impressive given some of the challenges the self-insurance group has faced. First, the trust was formed

during the early 1990s at a time when some speculated that the workers' compensation system was on the verge of collapse. More recently, it has weathered the challenges associated with an extended soft market. Second, ASIT is providing coverage for an extremely tough class of business. Most nursing homes are fraught with back injuries, slips, trips, and falls, and combative patient claims. Combine this with the high employee turnover that characterizes the industry and the result is a very challenging and difficult workers' compensation risk.

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## THE PRIVILEGES OF MEMBERSHIP

### KEYS TO SUCCESS

So, how has ASIT been so successful and produced such phenomenal results, and what can other self-insureds take away from its experience?



### LEADERSHIP

"The credit for success goes to the Board," said Pete Proffer of Midwest Risk Management Services, Inc. (MRMSI). "Early on they had a clear vision of what they wanted the program to accomplish and were extremely committed to running it like a business," he explained.

"The Board insists that members comply with safety policies. Further, they are not afraid to dismiss members or decline new applications if the nursing home owners are not completely committed to preventing accidents and managing costs," he added.

"The Board leadership has a direct impact on the members themselves," added Missy Bohannon, ASIT Group Fund Manager with MRMSI.

"Members self-police themselves to a large degree and actively seek out additional members who share a like vision and commitment. At the same time, they are not interested in having everybody join the group," she said.

The screening process for new members is selective and intense. Prospective candidates must submit all necessary applications including a compliance agreement to abide by ASIT cost management policies, recent loss history, current

experience modification factor, financial statements including pro forma balance sheet and income statement, and other required information.

"Another characteristic the Board has shown is they are extremely loyal to their service providers. They expect a great deal from their partners but have remained loyal to these companies. Some providers such as Midwest Employers Casualty Company have been with ASIT since day one," Mr. Proffer commented.

### SAFETY AND LOSS CONTROL

"The Board of Directors worked hard to make sure safety was a strong element of the trust. Safety is a major part of the ASIT program and a driving force behind the program's success," said Jack McDaniel, Safety and Loss Control Specialist with Mike Johnson & Associates.

Each member facility receives an annual safety visit as a part of this program, and more visits are scheduled if needed. Loss control and safety specialists such as Mr. McDaniel meet with

the nursing home administrator and safety team during these visits. A walk around of the premises is conducted, hazards are identified, and corrective actions are suggested.

The importance of each facility's safety team cannot be overemphasized. These team members are responsible for the safety program's performance throughout the year. Members are selected who are respected by their peers and who have shown a long-term commitment to their position. These individuals define and shape the safety culture at each location.

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**PETE PROFFER**  
MIDWEST RISK MANAGEMENT  
SERVICES, INC (MRMSI)

## THE PRIVILEGES OF MEMBERSHIP

Safety incentive programs also ensure staff is involved in the local safety initiatives. Incentive programs create a high degree of awareness at the facilities and some even involve the residents. Scratch off cards and boards add to the fun.

One of the most valuable components of the safety program is the opportunity for ongoing training. Designed and customized in collaboration with MECC specifically for ASIT members, web events are extremely popular. They are held as live events once per quarter. Afterwards a recording link is provided that allows members to access the information 24/7 from the ASIT website. Recent topics have included fire safety, back injury prevention, and how to deal with combative patients.

In addition, ASIT members are invited to participate in the MECC monthly webinars and to take advantage of the Safety Cornerstones program, a web-based system which provides written programs, safety meeting topics, and other OSHA based resources.

"Our goal is to give the administrators and safety team the tools and information they need to keep the program going strong all year long," Mr. McDaniel said. The formula must be working as ASIT's current overall loss ratio stands at 23.65%.

### SERVICE PROVIDER TEAM

ASIT Board Chairman, Leonard Wiggins, credits the service provider team for much of the program's success. "We surrounded ourselves with really good people. We have a premium program because we have premium players. We have had good success because of the

leadership and guidance they have given us through the years."

A program of the size and complexity of ASIT requires many service components. Among the services ASIT utilizes are program administration, safety and loss control services, third party claims administration, actuarial, legal, financial auditing, and excess insurance. As noted earlier, the Board is loyal to its service providers while expecting quality performance. Several service providers have been with ASIT since its inception in 1992.

### RESULTS DRIVEN

The ASIT Board and service team monitor the trust's operating performance meticulously. Assisting in these efforts is MECC Account Manager, Shelly Brotzge. Ms. Brotzge presents MECC's Management View Report to the board annually. This report compares the loss experience and operating performance of ASIT members to the loss experience and performance of similar industry players.

The information presented by such fine-tooth analyses is interesting and insightful. For example, a composite industry benchmark study conducted by MECC compared ASIT facilities to other Arkansas nursing homes. Overall, ASIT performed 53% better than its peers with regard to controlling claim costs. On average, ASIT spent \$1,596 less per claim than its peers based on data from January 2000 through August 2008. The study concluded ASIT is expected to ultimately incur \$7,982,828 less total direct losses than their composite benchmark for the historical period evaluated. More recent studies have shown even more dramatic savings. The 1992/1993 average

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**LEONARD WIGGINS**  
ASIT BOARD CHAIRMAN

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premium per \$100 of payroll, prior to potential dividends, was \$7.54. In 2010 it was \$1.93. In 1992/1993 claims per \$100 of payroll was \$3.00 with a 39.75% loss ratio. In 2009, it was \$0.64 with a 26.94% loss ratio.

Ms. Brotzge noted, "More informed boards tend to make more informed decisions. The ability to

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**SHELLY BROTZGE**  
GSI ACCOUNT MANAGER  
MIDWEST EMPLOYERS CASUALTY COMPANY

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Continuing, Ms. Brotzge observed, "My experience with the board is that they have the ability to make decisions for the betterment of the group without allowing personal agendas or emotions to interfere."

Dramatic results lead to dramatic dividends. While the dividend program has returned over \$20 million to its members, the Board monitors the dividend policy continuously and watches surplus closely to ensure adequate operating funds for the future. This conservative financial outlook has served ASIT well in the past and bodes for a strong future for its members.

### CONCLUSION

For information, contact Steve Link at 1.877.WRK.COMP or [slink@mwecc.com](mailto:slink@mwecc.com).



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