



CITY OF NORMAN, OK STAFF REPORT

MEETING DATE: 08/23/2022

REQUESTER: Clint Mercer, Chief Accountant

PRESENTER: Anthony Francisco, Director of Finance

ITEM TITLE: CONSIDERATION OF APPROVAL, ACCEPTANCE, REJECTION, AMENDMENT, AND/OR POSTPONEMENT OF THE CITY'S APPLICATION FOR PERMISSION TO CARRY ITS OWN RISK WITHOUT WORKERS' COMPENSATION INSURANCE IN THE AMOUNT OF \$1,000.

BACKGROUND:

Title 85A of Oklahoma Statutes requires the City, as an employer, to provide Workers' Compensation to its employees who are injured on the job. Workers' Compensation can be provided by buying private workers' compensation insurance, applying for coverage under a state-run insurance plan (now "CompSource"), or carrying its own risk as a self-insured employer.

The City has elected to operate as a self-insured employer covering its own risk associated with workers' compensation losses at least since 1988. By electing to "self-insure," the City does not purchase insurance from an outside insurance agency but rather pays such claims as they are ordered by the Court or agreed to by the City. To make sure funds are available to compensate injured workers fairly, the City budgets annually for anticipated workers' compensation claims. The budgets are established through internal service charge "premiums" in each departmental budget based on the number of employees in the department/division. The "premiums" are then paid to the Worker's Compensation revenue account (439-371732) in the City's Risk Management Fund.

The decision of previous Councils to self-insure has been strictly a financial decision resulting in cost savings to the City. Over the years, it has been more cost effective for the City to carry its own risk of workers' compensation claims than to buy insurance coverage.

In order to self-insure, it is necessary each year for the City to complete an application to the State of Oklahoma Worker's Compensation Commission for permission to be "own risk" (i.e., self-insure) and pay a \$1,000 fee. The City's current own risk permit will expire on November 1, 2022 but application for renewal must be submitted 60 days prior to the expiration date.

DISCUSSION:

Please find included with this agenda item the City's application for permission to carry its "own risk" for Worker's Compensation (with attachments). The information contained in the

application is designed to help the Workers' Compensation Commission Administrator assess the City's ability, through budgeting of adequate reserves, to financially manage the anticipated workers' compensation claims that may be incurred over the permit period. The application asks for similar information that is requested by the Workers' Compensation Commission annually. It is anticipated the City's application will be approved by the Workers' Compensation Commission Administrator, if the Council authorizes the City to present it.

RECOMMENDATION:

It is recommended that the City Council approve this application for submission to the State of Oklahoma Workers' Compensation Commission and pay the \$1,000 fee. Funding is available in the Risk Management Fund, Other Professional Services (43330104-44099).