

HEALTHCARE WORKERS' COMPENSATION SELF INSURANCE FUND  
(HWCF)

ANNUAL MEMBERS' MEETING

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Presentation By:

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WELCOME

Good Morning, Mr. Chairman, Board Members, Members, Staff and Guest – on behalf of the company management, I welcome you to the 2010 Annual Members' Meeting of the Healthcare Workers' Compensation Self Insurance Fund (hereinafter, I will call it HWCF).

Recently, I was commenting to Bob Chapman, a former HWCF Board Member that I still had to prepare my 'State of the Fund' presentation for the upcoming Annual Members' meeting. He advised me to simply comment on the great results we had in 2009 and say "two words are better than ten and the results say it all". I must admit that I am tempted. But, when there is good news to be presented why not take the opportunity.

SUCCESSFUL YEAR

The last year has been successful in many ways. The core philosophy of HWCF is to provide workers' compensation coverage to hospitals, physicians and allied healthcare providers in Alabama at an affordable price on a constant basis. The relationships that have been built with our members using this philosophy are not typical of insurance industry relationships. Our relationship is much closer and is enhanced by the providing of superior services. During 2009, we were told by several members that our services and helpful attitude was extremely helpful to them and respectfully appreciated. Those services assist them in controlling their workers' compensation cost. Some examples: Underwriting taking the time to explain the experience modification factor. Educating the member on how it affects their annual contributions to HWCF; and, how this might be managed by the member. The Loss Control Manager working with a member that has called us with a request to provide information they need to handle a life safety code situation. This often happens in situations where the member is waiting in their office for the information. Or, a Claim Adjuster assisting a member's management team work through the establishment of a "return to work " program. These are examples of superior service. We

provide this on a daily basis. Once you have provided this level of service for years, it becomes a challenge to retain the members' awareness that this is not the standard level of service provided by other workers' compensation insurers.

In this regard, I would like to acknowledge the employees serving HWCF. Their efforts and caring attitudes are the foundation of this level of service. They sincerely care for the members. And, want to assist them as much as they can. Without this, the level of service provided by HWCF would not be possible.

The 2009 financial results are outstanding. Let's review these results at a summary level.

- HWCF has "Members' Equity" of \$10.0 million. This provides a "Net Contribution to Members' Equity" ratio of 0.84. Workers' Compensation insurance companies with a ratio of 1.0 are considered to be financially healthy. Our ratio reflects a stronger financial position than that.
- The "Total Assets" are \$41.0 million. This gives HWCF enough capital base to be much more than a small, struggling workers' compensation fund.
- The success of HWCF is demonstrated in its profits this year. "Income before Member Dividends" or "Income Tax" is \$3.5 million. This is insurance company operating profit. After the distribution of a \$500,000 member dividend and paying taxes the "Net Income" was \$1.9 million.

## ACCOMPLISHMENTS

I would like to make you aware of several accomplishments.

One, Loss Control has started offering webinars to members on a quarterly basis. These webinars are provided at no charge and include subjects such as Back injury Prevention and Violence in the Workplace. Another loss control achievement has been the successful completion and award of certification to our Loss Control Manager of the designation - "OSHA General Outreach Trainer". This certification allows him to conduct both the 10 and 30 hour general industry training courses on behalf of OSHA.

Second, HWCF is moving their Montgomery Office. On June 1<sup>st</sup> of this year we will be in our new offices. Our new landlord will be the Alabama Hospital Association. A friend and close business associate since our beginning. The new office will have several new advantages. A class room with audio and visual equipment that will accommodate over 50 people classroom style for training sessions or seminars. Storage space, so that we will be able to store all of our files on site. And, several meeting rooms for individual use or occasions where there are multiple meetings occurring at the same time. Next years' Annual Members' meeting will be held in the new office.

## CHALLENGES

Now, let us take a look at the challenges that are facing us during the coming year.

The first and most vital challenge is growth. Growth was presented as a challenge in my presentation last year and, has been an area of attention during the past year. An impediment to growth is that the insurance industry is in a 'soft market'. 'Soft Markets' are periods in the insurance industry cycle where there is excessive competition with aggressive actions being taken to expand the amount of business written. This aggressiveness ultimately leads to funds and insurance companies withdrawing from the market place due to significant losses; or, in the worst cases, insolvency. The principle challenge to HWCF in this market place is that a few of our competitors are willing to offer prices that are not healthy for long term financial viability; and, the lower prices offered are tempting. Since HWCF is committed to offering a constant, stable market for workers' compensation over the long term, we are not able to offer irresponsible prices or enter and leave the market place as it is in HWCF's best interest. We are committed to staying the course. We ask our members to stay the course with us. You will be rewarded in the long run.

A second challenge is the changing rules, regulations and laws about healthcare, accounting and insurance operations that are being developed and implemented by the state and federal government. As an example, the government is making changes in regulations regarding Medicare set asides. The government is seeking to make certain that Medicare is reimbursed for any healthcare payments made by workers' compensation or liability insurance companies. The actual implementation of this program has been delayed until January, 2011 due to the amount of data that will be collected. The known impact of this change will be the added complexity of settling claims. Everyone must be certain that the government set asides are identified and accounted for when negotiating the settlement of a claim.

## CLOSING

In conclusion, I would like to thank you for your business and your confidence in us as your workers' compensation provider. Please do not hesitate to call any of us with any questions or concerns that you might have regarding our services.

Thank you for your attention. Mr. Chairman, this concludes my prepared comments. If there are any questions, I would be pleased to answer them.