

## Legislation Details (With Text)

<b>File #:</b>	BILL NO. 16-121	<b>Name:</b>	
<b>Type:</b>	Other Business - Ordinance	<b>Status:</b>	Passed
<b>File created:</b>	6/6/2016	<b>In control:</b>	City Council - Regular Session
<b>On agenda:</b>	6/16/2016	<b>Final action:</b>	6/16/2016
<b>Title:</b>	AN ORDINANCE APPROVING THE FY2017 PROPERTY AND LIABILITY INSURANCE PROGRAM AND AUTHORIZING THE CITY MANAGER TO ENTER INTO AGREEMENTS WITH TRAVELERS INSURANCE, ONE BEACON INSURANCE AND PHYSICIANS PROFESSIONAL INDEMNITY ASSOCIATION FOR THE PROCUREMENT OF PROPERTY AND LIABILITY INSURANCE COVERAGE FOR FY2017.		
<b>Sponsors:</b>	Law		
<b>Indexes:</b>			
<b>Code sections:</b>			
<b>Attachments:</b>	1. Ordinance		

Date	Ver.	Action By	Action	Result
6/16/2016	1	City Council - Regular Session	adopted and numbered	Pass

AN ORDINANCE APPROVING THE FY2017 PROPERTY AND LIABILITY INSURANCE PROGRAM AND AUTHORIZING THE CITY MANAGER TO ENTER INTO AGREEMENTS WITH TRAVELERS INSURANCE, ONE BEACON INSURANCE AND PHYSICIANS PROFESSIONAL INDEMNITY ASSOCIATION FOR THE PROCUREMENT OF PROPERTY AND LIABILITY INSURANCE COVERAGE FOR FY2017.

Issue/Request:

AN ORDINANCE APPROVING THE FY2017 PROPERTY AND LIABILITY INSURANCE PROGRAM AND AUTHORIZING THE CITY MANAGER TO ENTER INTO AGREEMENTS WITH TRAVELERS INSURANCE, ONE BEACON INSURANCE AND PHYSICIANS PROFESSIONAL INDEMNITY ASSOCIATION FOR THE PROCUREMENT OF PROPERTY AND LIABILITY INSURANCE COVERAGE FOR FY2017.

Key Issues:

- Each year the City Council considers and approves the City’s property and liability insurance program.
- Overseen by the Law Department since 2012, the City has enjoyed reduced premium and claim expenses and has increased autonomy and flexibility in the claims management process.
- City’s incumbent carrier since 2011 for liability insurance has been One Beacon Insurance. The City has built and maintained a positive relationship with the carrier, which has contributed to the autonomy and flexibility that it currently enjoys.
- Four (4) providers responded to marketing efforts for liability insurance; two (2) were less expensive than the quote from the incumbent, but were deemed non-responsive due to the fact that they did not provide the same level of service that is currently utilized and requested.

- One (1) respondent provided a competitive response, but more information regarding the type of coverage and the company is needed to make a determination of whether it is a good fit for the City. Staff is working to compile this information and may bring a proposal for a change in carrier at mid-year or at next fiscal year.
- One Beacon Insurance, the City's incumbent carrier for liability insurance, is being recommended for renewal for FY2017.
- City's incumbent carriers for property insurance and medical director coverage are the only entities that provided quotes for this type of coverage in FY2017, and are being recommended for renewal.
- Total premium cost of proposed premiums for property and liability insurance in FY2017 is \$550,067.00, a savings of \$25,185.30 over FY2016 premiums.

Proposed City Council Motion:

FIRST MOTION: AN ORDINANCE APPROVING THE FY2017 PROPERTY AND LIABILITY INSURANCE PROGRAM AND AUTHORIZING THE CITY MANAGER TO ENTER INTO AGREEMENTS WITH TRAVELERS INSURANCE, ONE BEACON INSURANCE AND PHYSICIANS PROFESSIONAL INDEMNITY ASSOCIATION FOR THE PROCUREMENT OF PROPERTY AND LIABILITY INSURANCE COVERAGE FOR FY2017. I MOVE FOR SECOND READING.

SECOND MOTION: AN ORDINANCE APPROVING THE FY2017 PROPERTY AND LIABILITY INSURANCE PROGRAM AND AUTHORIZING THE CITY MANAGER TO ENTER INTO AGREEMENTS WITH TRAVELERS INSURANCE, ONE BEACON INSURANCE AND PHYSICIANS PROFESSIONAL INDEMNITY ASSOCIATION FOR THE PROCUREMENT OF PROPERTY AND LIABILITY INSURANCE COVERAGE FOR FY2017. I MOVE FOR ADOPTION.

Background:

In August 2012, the City of Lee's Summit implemented a new risk management program for property and liability matters which is overseen by the Law Department. Several major changes took place during the implementation of the new program including the conversion from an agency relationship to a broker relationship for the procurement of insurance products for the City, a defined methodology for requesting competitive quotes for insurance needs, and the implementation of innovative internal insurance claims management processes and procedures. In addition, the City has transitioned from a traditional deductible insurance program to a self insured retention program. This change has resulted in both significant cost savings to the City as well as increased internal control of the City's risk and loss program, enabling broad internal handling and management of claims and claims processes, resulting in additional cost savings. Currently, the City is under a \$100,000.00 per occurrence self insured retention, with a stop-loss of \$500,000.00.

Since the inception of the program, the City has realized an estimated cost savings of more than \$375,000.00 over the insurance program in effect prior to FY2013 in premium savings alone.

Due to the recent successes of the program, measured by both the cost savings and the rate of claims being turned over to insurance carriers for coverage beyond the City's self insured retention, the City authorized its property and liability insurance broker, Lockton Companies, to market the City's insurance program for the FY2017 renewal. Four (4) entities provided responses to this year's request for quotes.

The City's incumbent carrier for property insurance, Traveler's Insurance, is the only entity that quoted property coverage. The total premium for property coverage is quoted at \$193,100.00, which is a 5% decrease in premiums over FY2016 rates. Additionally, Traveler's Insurance provides the City's crime policy, which is quoted for renewal at

\$11,369.00. This is an increase of \$1,547 largely due to the fact that our previous coverage did not accurately reflect the number of part-time temporary employees.

The carrier for the City's medical director liability policy, Physician's Professional Indemnity Association, which is required for the Fire Department to maintain paramedic and EMT's has offered renewal at the current rate of \$5,780.00 for FY2017, this is the same as the previous year.

The City's incumbent carrier for liability insurance, One Beacon Insurance returned with a net 5% decrease in premiums over FY2016 rates, with no changes to the current terms and conditions of the insurance program, and includes a \$500,000.00 stop loss. The total premium cost for the coverage in FY2017 is quoted at \$339,818.00.

While the other three carriers that quoted liability coverage did provide rates that were less than those offered by Traveler's and One Beacon, they are not being recommended at this time, for a variety of reasons. Specifically, two of the three providers did not respond with quotes for the same limits and type of coverage that the City currently has with One Beacon Insurance. In addition, it is unknown whether additional expenses may be necessary if a transition were made to one of these carriers (i.e. third party administrator costs, etc.) Because the level of service would not be the same with these carriers, and in light of the positive relationship that the City currently enjoys with its incumbent carrier, these two providers have been omitted from consideration at this time.

A quote provided by States Self-Insurers Risk Retention Group, Inc. appears to be very lucrative and interesting, with a total premium cost of \$151,619.00 for FY2017 liability coverage. While this option is by far the best priced option, it comes with a number of questions that have not yet been fully vetted. States is not a traditional insurance company. Rather, it is an insurance pool of a number of municipal entities who self insure and manage excess coverage. There are a number of benefits to entering into a risk pool like the one States offers, but there are risks as well. City staff has requested detailed information from States regarding its program, including complete copies of its insuring documents, governing documents, and references from other entities who are currently members (including Springfield, Missouri, Columbia, Missouri and Lincoln, Nebraska). It is our hope that after fully vetting the program, a proposal can be brought forth (either at mid-year or at renewal in FY2018) to transition the City to the States Risk Pool, further reducing the City's risk management expenditures while maximizing autonomy and efficiency in the risk management process. However, since the insurance proposals were only submitted to the City in mid-May, there has not been enough time for City staff to feel comfortable with a complete analysis of the program and process to recommend making a change to the insurance program at this time.

If the proposed coverage is accepted, the total premium costs for FY2017 for both property and liability insurance will be \$550,067.00, which is a savings of \$25,185.30 over FY2016 premiums. The total amount included in the FY2017 budget for premiums is \$695,550.00. As with previous years, it is proposed that any savings realized between the budget and actual cost for premiums (projected to be \$145,483.00) be re-allocated to the Claims and Damages Reserve Fund to continue to build the reserves so that the self insured retention may be increased in the future, resulting in further cost savings and stabilizing the fund in the event of large claims.

Impact/Analysis:  
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Timeline:

Other Information/Unique Characteristics:

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Presenter: Jackie McCormick Heanue, Chief Counsel of Management and Operations

Recommendation: STAFF RECOMMENDS AN ORDINANCE APPROVING THE FY2017 PROPERTY AND LIABILITY INSURANCE PROGRAM AND AUTHORIZING THE CITY MANAGER TO ENTER INTO AGREEMENTS WITH TRAVELERS INSURANCE, ONE BEACON INSURANCE AND PHYSICIANS PROFESSIONAL INDEMNITY ASSOCIATION FOR THE PROCUREMENT OF PROPERTY AND LIABILITY INSURANCE COVERAGE FOR FY2017.

Committee Recommendation: N/A