

Legislation Details (With Text)

File #: BILL NO. 17-136
Name:
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In control: City Council - Regular Session
On agenda: 6/15/2017
Final action: 6/15/2017
Title: AN ORDINANCE APPROVING THE FY2018 PROPERTY AND LIABILITY INSURANCE PROGRAM AND AUTHORIZING THE CITY MANAGER TO ENTER INTO AGREEMENTS WITH CNA INSURANCE, ONE BEACON INSURANCE, AND PHYSICIANS PROFESSIONAL INDEMNITY ASSOCIATION FOR THE PROCUREMENT OF PROPERTY AND LIABILITY INSURANCE COVERAGE FOR FY2018. (F&BC 6/5/17)

Sponsors:

Indexes:

Code sections:

Attachments: 1. Ordinance

Date	Ver.	Action By	Action	Result
6/15/2017	1	City Council - Regular Session	adopted and numbered	Pass
6/5/2017	1	Finance and Budget Committee	recommended for approval	Pass

AN ORDINANCE APPROVING THE FY2018 PROPERTY AND LIABILITY INSURANCE PROGRAM AND AUTHORIZING THE CITY MANAGER TO ENTER INTO AGREEMENTS WITH CNA INSURANCE, ONE BEACON INSURANCE, AND PHYSICIANS PROFESSIONAL INDEMNITY ASSOCIATION FOR THE PROCUREMENT OF PROPERTY AND LIABILITY INSURANCE COVERAGE FOR FY2018. (F&BC 6/5/17)

Issue/Request:

AN ORDINANCE APPROVING THE FY2018 PROPERTY AND LIABILITY INSURANCE PROGRAM AND AUTHORIZING THE CITY MANAGER TO ENTER INTO AGREEMENTS WITH CNA INSURANCE, ONE BEACON INSURANCE, AND PHYSICIANS PROFESSIONAL INDEMNITY ASSOCIATION FOR THE PROCUREMENT OF PROPERTY AND LIABILITY INSURANCE COVERAGE FOR FY2018.

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.
- One Beacon Insurance, the City’s incumbent carrier for liability insurance, is being recommended for renewal for FY2018 with a rate decrease of 3% on the general liability portion of the policy, and a 2% decrease on the automobile and umbrella portions of the policy. One Beacon has also offererd the City a rate guarantee for three years, as long as the City’s loss ratio does not exceed 50% in any 12 month period. The City would have the option to choose whether to continue coverage each year, so the rate guarantee does not lock the City in to continuing coverage for three years;

rather, it allows the City the conditional opportunity to have the guaranteed rate for those years should we opt to continue coverage through One Beacon. This coverage still includes the \$500,000.00 stop loss.

- City's incumbent carriers for property insurance provided a renewal proposal with a 5% rate increase, and also sought to have building values increased by 2%. In response, the property insurance program was marketed by Lockton Companies, the City's property and liability insurance broker. Two additional companies quoted - CNA and Hartford. CNA provided a quote with the same coverage as the City's existing policy with Traveler's Insurance for a rate which is 21% less than that which is currently being charged by Traveler's Insurance. Accordingly, CNA is being recommended as the City's property insurance carrier for FY2018.
- Medical director coverage was only quoted by the incumbent provider, Physicians Professional Indemnity, and is being recommended for renewal at a rate of \$5,780.00 for FY2018. There is no rate increase over FY2017 premiums.
- The City's crime policy was also only quoted by the incumbent provider, Traveler's Insurance, and is being recommended for renewal at the same coverage level of \$500,000 for a premium of \$14,250.00 for FY2018. This represents an incremental increase of \$39.00 over FY2017's premium.
- Total premium cost of proposed premiums for property and liability insurance in FY2018 is \$512,482.00, a savings of \$40,427.00 over FY2017 premiums.
- Also included in this year's ordinance is language formally authorizing the City Attorney to approve expenditures on a per claim basis in an amount not to exceed \$20,000.00. Expenditures for claims which exceed this amount would be taken to the City Council for approval.

Proposed City Council Motion:

FIRST MOTION: I move for second reading of AN ORDINANCE APPROVING THE FY2018 PROPERTY AND LIABILITY INSURANCE PROGRAM AND AUTHORIZING THE CITY MANAGER TO ENTER INTO AGREEMENTS WITH CNA INSURANCE, ONE BEACON INSURANCE, AND PHYSICIANS PROFESSIONAL INDEMNITY ASSOCIATION FOR THE PROCUREMENT OF PROPERTY AND LIABILITY INSURANCE COVERAGE FOR FY2018.

SECOND MOTION: I move for adoption of AN ORDINANCE APPROVING THE FY2018 PROPERTY AND LIABILITY INSURANCE PROGRAM AND AUTHORIZING THE CITY MANAGER TO ENTER INTO AGREEMENTS WITH CNA INSURANCE, ONE BEACON INSURANCE, AND PHYSICIANS PROFESSIONAL INDEMNITY ASSOCIATION FOR THE PROCUREMENT OF PROPERTY AND LIABILITY INSURANCE COVERAGE FOR FY2018.

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.

The City's incumbent carrier for property insurance, Traveler's Insurance, quoted a premium increase of 5% and also indicated that they would increase the valuations of all City-owned properties by 2% for the renewal. In response to this information, the City's property and liability insurance broker, Lockton Companies, Inc., marketed the property policy and was able to obtain two (2) quotes. CNA Insurance came in with the lowest total premium cost, \$150,742.00, which represents a 21% decrease from the premium paid to Travelers Insurance last year. The policies provide the same levels

of coverage.

Traveler's Insurance provides the City's crime policy, which is quoted for renewal at \$14,250.00. This is an increase of \$39.00 over the FY2017 premium.

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 FY2018, this is the same as the previous year.

The City's incumbent carrier for liability insurance, One Beacon Insurance returned with a 3% decrease in premiums over FY2016 rates for general liability, and a 2% premium decrease for the auto and umbrella policies, 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 general liability, automobile, umbrella, employment practices liability, public officials errors and omissions, and law enforcement legal coverage in FY2018 is quoted at \$341,710.00. Additionally, One Beacon has offered the opportunity for a guaranteed rate-lock for the next three (3) years, meaning that premiums will not increase as long as the City's loss ratio does not exceed 50% over any 12-month period during the time of coverage. This is optional for the City, meaning that the City can choose not to renew the coverage and select a different carrier at each renewal date.

If the proposed coverage is accepted, the total premium costs for FY2018 for both property and liability insurance will be \$512,482.00, which is a savings of \$37,585.00 over FY2017 premiums. The total amount included in the FY2018 budget for premiums is \$1,057,183.00, which includes all of the premiums listed above, quarterly brokerage payments to Lockton Companies, Inc., and anticipated claims/self insured retention expenses for the upcoming year.

As with previous years, it is proposed that any savings realized between the budget and actual cost for premiums 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.

Presenter: Jackie McCormick Heanue, Chief Counsel Mgmt. & Ops./Deputy City Attorney

Committee Recommendation: A motion was made by Councilmember Faith, seconded by Councilmember Edson, that this Ordinance was recommended for approval to the City Council - Regular Session due back on 6/15/2017. The vote was unanimous.