

Legislation Details (With Text)

File #: BILL NO. 18-91
Name:
Type: Ordinance
Status: Passed
File created: 5/15/2018
In control: City Council - Regular Session
On agenda: 6/28/2018
Final action: 6/28/2018
Title: An ordinance approving the FY2019 Property and Liability Insurance Program, authorizing the City Manager to enter into agreements with CNA Insurance, One Beacon Insurance, Physicians Professional Indemnity Association, Traveler's Insurance and Thomas McGee, I.C. for the procurement of property and liability insurance coverage and related services for FY2019, and authorizing the City Attorney to approve individual claim expenses and/or settlements in amounts not to exceed \$20,000.00 per claim.
 (First Reading by City Council on June 7, 2018. Passed by unanimous vote.)

Sponsors:

Indexes:

Code sections:

Attachments: 1. Ordinance

Date	Ver.	Action By	Action	Result
6/28/2018	1	City Council - Regular Session	adopted and numbered	Pass
6/7/2018	1	City Council - Regular Session	advanced to second reading	Pass
6/4/2018	1	Finance and Budget Committee	recommended for approval	Pass

An ordinance approving the FY2019 Property and Liability Insurance Program, authorizing the City Manager to enter into agreements with CNA Insurance, One Beacon Insurance, Physicians Professional Indemnity Association, Traveler's Insurance and Thomas McGee, I.C. for the procurement of property and liability insurance coverage and related services for FY2019, and authorizing the City Attorney to approve individual claim expenses and/or settlements in amounts not to exceed \$20,000.00 per claim.
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Issue/Request:

An ordinance approving the FY2019 Property and Liability Insurance Program, authorizing the City Manager to enter into agreements with CNA Insurance, One Beacon Insurance, Physicians Professional Indemnity Association, Traveler's Insurance and Thomas McGee, I.C. for the procurement of property and liability insurance coverage and related services for FY2019, and authorizing the City Attorney to approve individual claim expenses and/or settlements in amounts not to exceed \$20,000.00 per claim.

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 FY2019 with an overall rate increase of 15%. This coverage still includes the \$500,000.00 stop loss.
- City's incumbent carriers for property insurance provided a flat rate renewal proposal for FY2019.
- Medical director coverage was only quoted by the incumbent provider, Physicians Professional Indemnity, and was quoted as a flat rate renewal.
- The City's crime policy was also only quoted by the incumbent provider, Traveler's Insurance, and was quoted at a \$43.00 savings over FY2019 premium costs.
- Total premium cost of proposed premiums for all lines of the property and liability insurance program for FY2019 is \$575,907.00, an increase of \$64,743.00 over FY2018 premiums.
- Also included in the ordinance is language formally authorizing the City Attorney to approve liability 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:

I move for adoption of an ordinance approving the FY2019 Property and Liability Insurance Program, authorizing the City Manager to enter into agreements with CNA Insurance, One Beacon Insurance, Physicians Professional Indemnity Association, Traveler's Insurance and Thomas McGee, I.C. for the procurement of property and liability insurance coverage and related services for FY2019, and authorizing the City Attorney to approve individual claim expenses and/or settlements in amounts not to exceed \$20,000.00 per claim.

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 for liability claims, with a stop-loss of \$500,000.00.

The City's incumbent carrier for property insurance, CNA Insurance Companies, Inc., quoted a flat rate renewal for FY2019, with no increase in the premium rate for property insurance coverage. The total premium for FY2019 property insurance will be \$163,070.00, to insure the City owned property with a total reported value of \$180,602,601.00. The property insurance policy carries with it a \$50,000.00 self-insured retention.

Traveler's Insurance provides the City's crime policy, which is quoted for renewal at \$14,207.00. This is a decrease of \$43.00 over the FY2018 premium. The Crime policy provides coverage for theft, dishonest acts, and similar incidents committed by employees and non-employees against the organization.

The carrier for the City's medical director liability policy, Physician's Professional Indemnity Association, which is coverage required in order for the Fire Department to maintain paramedic and EMT's has offered renewal at the current

rate of \$5,780.00 for FY2019, this is the same as the previous year.

The City's incumbent carrier for liability insurance, One Beacon Insurance returned with an increase in premiums for FY2019 averaging 15%, with no changes to the current terms and conditions of the insurance program. The package policy also 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 FY2019 is quoted for renewal at \$392,950.00, which represents an increase of \$51,240.00 over last year's liability premiums.

The City also requested a new line of coverage be quoted for this year's insurance renewal, due to the vast increase in cyber crime in recent years, a best practice and at the recommendation of the Chief Technology Officer, a Cyber Crime Policy was quoted. Cyber Crime policies provide coverage to entities in the event of a cyber crime event for matters such as event management and mitigation costs, data recovery costs, cyber extortion costs, and business interruption costs. Lockton is in the process of finalizing the quotes for this line of coverage and will supplement that information to the City as soon as it is made available. This coverage can be placed at any time and does not have to occur at renewal.

Finally, in light of changes coming forth in the Law Department from a personnel standpoint, the City requested a quote for third party administrator services. Third party administrators frequently serve as claims processors and adjusters for organizations who maintain self-insurance programs like the City's program. With the departure of the incumbent staff person responsible for risk management, the City Manager and City Attorney recommend retaining the services of Thomas McGee to act as third party administrator to handle larger claims that cannot be easily administered by Law Department staff. Thomas McGee currently serves as the City's third party administrator for worker's compensation claims and has offered to provide similar services for the property and liability lines of coverage for an administrative fee of \$5,000.00 per year, with individual claim fees for each claim which is forwarded to them for handling.

If the proposed coverage is accepted, the total premium costs for FY2019 for all lines of relevant property and liability insurance will be \$575,907.00, which is a total increase of \$64,743.00 over FY2018 premiums.

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.

Jackie McCormick Heanue, Interim Director of Human Resources

Recommendation: STAFF RECOMMENDS APPROVAL OF AN ORDINANCE APPROVING THE FY2019 PROPERTY AND LIABILITY INSURANCE PROGRAM, AUTHORIZING THE CITY MANAGER TO ENTER INTO AGREEMENTS WITH CNA INSURANCE, ONE BEACON INSURANCE, PHYSICIANS PROFESSIONAL INDEMNITY ASSOCIATION, TRAVELER'S INSURANCE AND THOMAS MCGEE, L.C. FOR THE PROCUREMENT OF PROPERTY AND LIABILITY INSURANCE COVERAGE AND RELATED SERVICES FOR FY2019, AND AUTHORIZING THE CITY ATTORNEY TO APPROVE INDIVIDUAL CLAIM EXPENSES AND/OR SETTLEMENTS IN AMOUNTS NOT TO EXCEED \$20,000.00 PER CLAIM.

Committee Recommendation: ACTION: A motion was made by Councilmember Lopez, seconded by Councilmember Carlyle, that this Ordinance be recommended for approval to the City Council - Regular Session, due back by 6/21/2018. The motion carried by a unanimous vote.