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Presentation of Insurance Options and FY2020 Projections

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.
- Considering transitioning liability coverage from OneBeacon to States Self-Insurers Risk Retention Group, Inc. to reduce premium costs and give City more autonomy and involvement in claims management
- Based on FY2019 premium quotes, changing from OneBeacon to States insurance could result in a premium savings of at least \$100,000 per year.

Background:

Since 2012, the City of Lee's Summit has used a risk management program for property and liability matters which is overseen by the Law Department. The program uses a broker relationship for the procurement of insurance products for the City, a defined methodology for requesting competitive quotes for insurance needs, and internal insurance claims management processes and procedures. In addition, the City has a self-insured retention program in lieu of a traditional deductible insurance program. This 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.

While these measures have helped reduce the quantity of claims the City pays out, the City anticipates increased premiums, because of price hardening in the overall market, and our own adverse experience. We anticipate a 10-20% increase in premiums for FY2020. As such, the City is looking at alternative insurance options for its public entity broad form liability that reduce its costs while still maintaining sufficient coverage to keep the City's risk management program financially viable. Public entity broad form liability encompasses general liability, employment practices liability, automobile liability, law enforcement liability and public officials error and omission liability. Currently, OneBeacon

provides these coverages to the City.

One option available to the City is to transition to States Self-Insurers Risk Retention Group, Inc. as its insurance provider. States is a national insurance pool of public entities who self-insure a portion of their risk and supplement their limits of insurance offered with the purchase of reinsurance. The premium for a \$100,000 SIR for liability coverage through States is projected to cost approximately \$200,000.00 for FY2020 . While this option is by far the best priced option and there are a number of benefits to entering into a risk pool like the one States offers, it comes with some additional exposures that do not exist with OneBeacon.

Some of the benefits to States is the member ownership, which allows the City to proactively mitigate risks by learning from and relying on other members in the pool who regularly deal with the same issues. The City also has much more control over litigation that may result in an insurance payout, such as selected legal counsel and determining whether to settle, then it does with OneBeacon. Unlike OneBeacon, however, because States is meant to be excess insurance, each year a member renews, the self-insured retention increases by \$50,000 each year until the self-insured retention is \$250,000. With the increase self-insured retention, the premiums also decrease by approximately \$8,000 per year. OneBeacon also allows the City to carry Stop-Loss coverage of \$500,000, whereas States insurance does not offer Stop-Loss coverage and such coverage is not otherwise available on the market. Finally, States does not provide automobile comp and collision coverage, so the City will need to obtain a quote for such coverage through another provider.

City staff has discussed the States program with Lockton in detail, and reviewed States' policy information. Lockton is prohibited from endorsing, because they are a non-rated "insurer" (as they would with MOPERM, or MPR)- but they have other large Missouri cities in the Pool- Independence, Springfield, and Columbia. The policy is non-assessable, financially viable, and supported by strong reinsurance. States collects over \$12 million in premiums annually and carry a surplus of \$9.6 million. We have contacted references from other entities who are currently members, such as the City of Springfield and the City of Columbia who both noted how well the program treats its members and actively seeks to reduce risk exposure and ensure that a member is taken care of when incidents occur. Transitioning to the States Risk Pool would further reduced the City's risk management expenditures while maximizing autonomy and efficiency in the risk management process.

Based on the premiums quoted for FY2019, transitioning from OneBeacon to States would save the City at least \$100,000 in premiums alone without increasing the City's self-insured retention which currently is \$100,000 for FY2020.

Lockton, the City's insurance broker, believes the State's Program is designed to benefit entities, like the City, that take an active role in managing risk and claims. The Law Department has actively managed third party claims since 2012 with success.

The City is marketing its other insurance coverages (i.e. property, crime, medical director, and cyber) to ensure it receives the lowest premiums. Staff plans to bring an ordinance to secure all insurance coverages to the entire City Council at the first meeting in June.

Recommendation

Staff recommends approval of the City contracting with States as its insurance provider for liability coverage, on the condition that the premium costs would net the City significant savings as compared to remaining with OneBeacon Insurance.