

Legislation Text

File #: BILL NO. 20-114, **Version:** 1

An Ordinance approving the FY2021 Property And Liability Insurance Program, authorizing the City Manager to enter into Agreements with CNA Insurance, States Self-Insurers Risk Retention Group, Glatfelter Insurance Group, Chubb Limited, and Traveler's Insurance for the procurement of property and liability insurance coverage and related services for FY2021, and authorizing the City Attorney to approve individual claim expenses and/or settlements in amounts not to exceed \$20,000.00 per claim.

(Note: First reading done by City Council on June 9, 2020. Passed by unanimous vote.)

Issue/Request:

An ordinance approving the FY2021 Property And Liability Insurance Program, authorizing the City Manager to enter into Agreements with CNA Insurance, States Self-Insurers Risk Retention Group, Glatfelter Insurance Group, Chubb Limited, and Traveler's Insurance for the procurement of property and liability insurance coverage and related services for FY2021, 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.
- In 2019, the City changed carriers for its liability coverage from OneBeacon to States Self-Insurers Risk Retention Group, Inc. ("States") to reduce premium costs and give City more autonomy and involvement in claims management
- States is being recommend for renewal with a premium of \$207,742, about a \$500.00 increase.
- Glatfelter Insurance Group, the City's incumbent carrier for auto physical damage coverage with a quoted a premium of \$35,675.
- City's incumbent carrier for property insurance, CNA, is being recommended for renewal with rate increase not to exceed 15%.
- The City's incumbent carrier for crime insurance, Traveler's Insurance, and was quoted at \$11,478.00, which is almost a \$3,000 decrease.
- The total premium costs for FY2021 for all lines of relevant property and liability insurance would not exceed \$488,500.
- Authority for 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 FY2021 Property And Liability Insurance Program, authorizing the City Manager to enter into Agreements with CNA Insurance, States Self-Insurers Risk Retention Group, Glatfelter

Insurance Group, Chubb Limited, and Traveler's Insurance for the procurement of property and liability insurance coverage and related services for FY2021, and authorizing the City Attorney to approve individual claim expenses and/or settlements in amounts not to exceed \$20,000.00 per claim.

Background:

Since 2012, the City of Lee's Summit has used 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 deductible reimbursement 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.

Traveler's Insurance provides the City's crime policy, which is quoted for renewal at \$11,478. This is about a 24% decrease over the FY2020 premium. The Crime policy provides coverage for theft, dishonest acts, and similar incidents committed by employees and non-employees against the organization.

The City's cyber policy carrier, Chubb, provides coverage issues due to cyber, such as event management and mitigation costs, data recovery costs, cyber extortion costs, and business interruption costs. This coverage can be placed at any time and does not have to occur at renewal.

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 for FY2021, this is the same as the previous year. However, on June 3, the City applied for coverage from another carrier after its broker informed the City that the carrier may not be financially secure after paying out several large claims. The City anticipates securing this coverage from another carrier for a comparable premium amount. Staff will notify Council when such coverage is finalized.

The City's incumbent automobile comp and collision coverage carrier, Glatfelter Insurance Group ("Glatfelter"), quoted a premium of \$35,675, which would be an increase of approximately \$6,000. The increase is due to the City's significant increase auto claims compared to previous years and an increase in the aggregate value of the City's vehicles. Considering the City's claims this past year, this is a very reasonable increase.

The City's property insurance carrier, CNA Insurance Companies, Inc., returned with a rate increase not to exceed 15%, with no changes to the current terms and conditions of the insurance program. The increase is a result of increased losses due to wind and hail damage in the region over the past year. Per the City's broker, all property insurance carriers are responding by increasing rates due to the severe weather damage. The rate is applied to the aggregate value of the City's real property and the buildings and contents located on such properties. The City recently updated the values of the properties and contents and determined the aggregate value City's properties was about 10% higher then listed in previous years. The property insurance policy currently carries with it a \$50,000 deductible reimbursement amount. The City has asked CNA to provide quotes for multiple deductible reimbursement amounts to keep the increase as low while maintaining appropriate coverage for the City's properties.

The City's incumbent carrier for liability insurance, States Self-Insurers Risk Retention Group, Inc. ("States") returned with a premium of \$207,742, a \$500 increase in total premiums for FY2021 and an increased the deductible reimbursement amount from \$100,000 to \$150,000. The quoted premium also reduces the City's excess insurance from \$12,000,000 to \$10,000,000. If the City desires to retain the excess insurance at \$12,000,000 it would increase the premium by \$32,000. The only other change to the policy was to provide a communicable disease exception from business loss coverage to take effect July 1. This is a response to potential claims arising out of the COVID-19 pandemic

and it's the City's understanding that all insurance carriers are specifying similar exceptions.

States provides the City's general, automobile, umbrella, and employment practices liability coverage, as well as the public officials errors and omissions and law enforcement legal coverage. As a reminder, 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. 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. This is why the City's deductible reimbursement amount increased from \$100,000 to \$150,000 for FY2021.

Finally, the City has used Thomas McGee to third party administrator services for the past year. Third party administrators frequently serve as claims processors and adjusters for organizations who maintain deductible reimbursement programs like the City's program. They generally handle large and complex claims that cannot be easily administered by Law Department staff.

If the proposed coverage is accepted, the total premium costs for FY2021 for all lines of relevant property and liability insurance would not exceed \$488,500 which is a total increase of not to exceed \$31,000 over FY2020 premiums, but a total decrease over the FY2019 premiums of almost \$150,000.

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 deductible reimbursement amount may be increased in the future, resulting in further cost savings and stabilizing the fund in the event of large claims.

Daniel White, Chief Counsel of Management and Operations

Staff recommends approval of an ordinance approving the FY2021 Property And Liability Insurance Program, authorizing the City Manager to enter into Agreements with CNA Insurance, States Self-Insurers Risk Retention Group, Glatfelter Insurance Group, Chubb Limited, and Traveler's Insurance for the procurement of property and liability insurance coverage and related services for FY2021, and authorizing the City Attorney to approve individual claim expenses and/or settlements in amounts not to exceed \$20,000.00 per claim.