

## Legislation Text

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**File #:** BILL NO. 23-139, **Version:** 1

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An Ordinance approving the FY2024 Property And Liability Insurance Program, authorizing the City Manager to enter into Agreements with Traveler's Insurance and Chubb Limited for the procurement of property and liability insurance coverage and related services for FY2024; and appropriating funds and directing payment therefore and authorizing the City Attorney to approve individual claim expenses and/or settlements in amounts not to exceed \$20,000.00 per claim all as an emergency ordinance pursuant to Sections 3.13(f) (1) and (3) of the Charter.

### Key Issues:

- Each year the City Council considers and approves the City's property and liability insurance program.
- In 2019, the City changed carriers for its liability coverage from OneBeacon to States Self-Insurers Risk Retention Group, Inc. ("States"). to give City more autonomy and involvement in claims management
- For FY 2024 States only offered renewal coverage with a \$1,000,000 self-insurance reserve on a claims made basis. This would effectively make the City self-insured on over 95% of the individual claim we receive. States would function as an insurance for catastrophic events only with coverage for losses between \$1,000,000 and \$10,000,000.
- Glatfelter Insurance Group, the City's incumbent carrier for auto physical damage coverage has issued a notice of non renewal and declined to offer a bid on further business with the City.
- Travelers Insurance has submitted a coverage package addressing our needs in:

1) Property	\$393,091
2) General Liability	\$249,638
3) Automobile/ Auto PD	\$56,177
4) Umbrella	\$ included under No.2 above
5) Employment Practices	\$ included under No.2 above
6) Public Officials E&O	\$ included under No.2 above
7) Law enforcement/legal	\$ Included under No. 2 above
8) Crime	\$ 11,443
- The cost for Cyber liability insurance continues to increase. Chubb offers the city coverage for this risk.

9) Cyber	\$ 56,979.
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- The total premium costs for FY2023 for all lines of relevant property and liability insurance is \$767,328.00. This is an increase of \$129,735. In percentage terms this is a about 17% over FY2023 premiums, much of which is attributable to the Property (an 18% increase) and Cyber (a 28% increase) insurance. Both Staff

and Lockton the city's broker recommend this package.

- Authority for the City Attorney to approve liability expenditures on a per claim basis in an amount not to exceed \$20,000. Expenditures for claims which exceed this amount would be taken to the City Council for approval.

Proposed City Council Motion:

FIRST READING: I move for second reading of An Ordinance approving the FY2024 Property And Liability Insurance Program, authorizing the City Manager to enter into Agreements with Traveler's Insurance for the procurement of property and liability insurance coverage and related services for FY2024, appropriating funds and directing payment therefore and authorizing the City Attorney to approve individual claim expenses and/or settlements in amounts not to exceed \$20,000.00 per claim all as an emergency ordinance pursuant to Section 3.13(f) (1) and (3) of the Charter.

SECOND READING: I move for adoption of An Ordinance approving the FY2024 Property And Liability Insurance Program, authorizing the City Manager to enter into Agreements with Traveler's Insurance for the procurement of property and liability insurance coverage and related services for FY2024, appropriating funds and directing payment therefore and authorizing the City Attorney to approve individual claim expenses and/or settlements in amounts not to exceed \$20,000.00 per claim all as an emergency ordinance pursuant to Section 3.13(f) (1) and (3) of the Charter.

Background:

Since 2012, the City of Lee's Summit has used a risk management program for property and liability claims. The program is managed by the Law Department, and uses a broker relationship for the procurement of insurance products for the City. 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.

In 2019, the City transitioned from a traditional insurance carrier to States Self-Insurers Risk Retention Group, Inc., which is a national insurance risk retention group of public entities who self-insure a portion of their risk and supplement their limits of insurance offered with the purchase of reinsurance. The City made the change to reduce its costs while 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. The coverage provided to the City is very broad compared to other market options available to municipalities.

In addition to the significant premium savings, the City's Self Insurance program allows us to proactively mitigate risks by learning from and relying on other members in the pool. The City retains 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 traditional insurance carriers. This control will increase as more litigation services are provided internally.

The market for Cyber Liability is continuing to go through a correction as carriers have determined that their premiums are not covering the losses. The City's premium increased from \$40,755 to \$56,979. The City was

prepared for a premium increase near \$75,000 or more. The carrier also required the City to increase its deductible from \$100,000 to \$150,000. This type of increase is occurring across all carriers and for all entities regardless of loss history.

Finally, the City intends to purchase \$10,000,000 of excess insurance, which is the same amount of excess insurance it carried last year. The market for excess insurance has become very costly due to a significant increase in litigation, jury verdicts and settlement amounts.

Edward Rucker, Chief Counsel of Management and Operations