

Legislation Details (With Text)

File #: 2021-4177 **Name:**

Type: Presentation **Status:** Filed

File created: 5/4/2021 **In control:** Finance and Budget Committee

On agenda: 5/10/2021 **Final action:** 5/10/2021

Title: Presentation of Insurance Options and FY2022 Projections.

Sponsors:

Indexes:

Code sections:

Attachments: 1. FY 2022 Budget Insurance Presentation

Date	Ver.	Action By	Action	Result
5/10/2021	1	Finance and Budget Committee	received and filed	

Presentation of Insurance Options and FY2022 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.
- Changing from OneBeacon to States insurance for FY2021 netted a premium savings of over \$170,000, and gave City more autonomy and involvement in claims management.
- In FY2022, City's deductible reimbursement amount will increase from \$150,000 to \$200,000 per incident.

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.

During FY2021, the City had the same \$150,000 deductible reimbursement amount for liability coverage, which provided a premium reduction of over \$170,000 compared to its previous insurance provider. In addition to the significant premium savings, the City's membership in States 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 traditional insurance carriers.

One way the States is able to provide such favorable premium rates is that the City's SIR increases each fiscal year. For FY2022, the City's deductible reimbursement amount will increase to \$200,000, which means the City is responsible to pay the first \$200,000 of each claim filed against it before the insurance company takes over. Based on the City's loss runs data, the City does not anticipate that this will result in a financial hardship. The City continues to use the savings it generates each year to build up the Claims and Damages Fund so that it is capable of paying multiple major claims in a single year.

The City anticipates an increase in its auto property damage coverage because of two large claims filed by the City.

The City's broker is also projecting a 15% increase in property coverage because of the increase in large wind and hail claims within the state and other significant property damage in the country, such as the property damage to during the polar vortex in February.

Finally, the City is exploring the cost of reducing its excess insurance policy from \$12,000,000 to \$10,000,000. The market for excess insurance has become very costly due to a significant increase in litigation, jury verdicts and settlement amounts.

To provide Council with the most accurate premium projections, staff plans to bring an ordinance to secure all insurance policies to the entire City Council at the first meeting in June.

Dan White, Chief Counsel of Management and Operations