

Legislation Text

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Presentation of Insurance Options and FY2021 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 FY2020 netted a premium savings of over \$170,000, and gave City more autonomy and involvement in claims management.
- In FY2021, City's deductible reimbursement amount will increase from \$100,000 to \$150,000 per incident.

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.

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. This was done because the City was looking to 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. The coverage provided to the City is broader than anything available on the market.

During FY2020, the City maintained the same \$100,000 SIR for liability coverage, but reduced its premium by over \$170,000. 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 State is able to provide such favorable premium rates is that the City's SIR increases each fiscal year. For FY2021, the City's SIR will increase to \$150,000, which means the City is responsible to pay the first \$150,000 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 10-15% increase in property coverage because of the increase in large wind and hail claims within the state, such as the property damage to Jefferson City last summer.

Staff plans to bring an ordinance to secure all insurance policies to the entire City Council at the first meeting in June.

Presenter:

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