

COUNCIL ACTION FORM

SUBJECT: RENEWAL OF ICAP MEMBERSHIP TO PROCURE CASUALTY AND LIABILITY INSURANCE COVERAGES

BACKGROUND:

The City's annual membership in the Iowa Communities Assurance Pool (ICAP) expires on June 30, 2015. **The City has been a member since July 1, 2004, and secures its casualty and liability coverages through this membership.** ICAP provides similar protection to approximately 300 cities, 70 counties, 50 fair boards and over 250 other public entities. ICAP was established in 1986 under Iowa Code section 670.7 as a member owned and funded group insurance pool for Iowa public entities. The following City coverages are provided by ICAP: General (Third Party) Liability, Vehicle and Transit Bus Liability, Bookmobile Physical Damage, Public Officials Wrongful Acts, Police Professional Liability and Employee Theft (Bond).

Staff did not seek alternatives to this program this year. Membership in the ICAP pool is a long-term commitment based on the fundamentals of rate stability, availability of coverages meeting the City's needs, and the quality of services from underwriting, loss control and claims. A summary of ICAP's quote for these services showing the current and upcoming year's proposed fees is shown below.

Comparison by Line of Coverage	APPROVAL REQUESTED		
	FY 2014-15	FY 2015-16	FY 2015-16
Type of Coverage	\$15.0 million limits	\$15.0 million limits	\$15.0 million limits
	Prior Year	Quoted Renewal	Budget
General Liability --at \$15.0 Million Limit	\$241,898	\$257,040	\$179,300
Bond, incl. fee	6,450	5,623	6,450
ICAP "Profit Sharing" Credit*	(69,371)	(92,725)	
Liability & Bond Sub-total	\$178,977	\$169,938	\$185,750
Department Specific:			
Fleet Services/Auto	61,029	58,565	68,650
Transit	173,655	183,466	176,500
Public Officials	29,613	31,206	31,000
Law Enforcement	30,803	30,799	33,750
Bookmobile PD	563	578	1,000
Total Net (Invoice) Cost	\$474,640	\$474,552	\$503,100

*See Comment below on Profit Sharing credit.

Profit Sharing Credit

The City was recently notified by the ICAP Board of Directors that they have again declared member credits based on the size and financial condition of the pool, including such factors as loss experience and investment income. The amount of the credit distributed to the City of Ames this year is \$92,725. **As in past years, this amount will be taken as a direct offset to the July 1 renewal invoice.**

Although the ICAP Board has consistently taken this action since the City became a member, it has never been an item that is included in the Risk Management budget, since the issuance of the credit is not guaranteed. Also, the amount can vary from year to year. For example, the 2014/15 credit was \$69,371, the 2013/14 credit was \$45,568, the 2012/13 credit was \$41,282 and the 2011/12 credit was \$32,763. The credit is referred to as "Profit Sharing;" and while ICAP is not earning "profit" in the traditional sense, it is certainly an added benefit of membership when income that exceeds expenses and capital requirements is distributed to the pool members.

ALTERNATIVES:

1. Accept the quote for renewal of the City's membership in the Iowa Communities Assurance Pool (ICAP), with the net cost of \$474,552 for the coverages listed above.
2. Direct staff to immediately seek other alternatives for casualty and liability insurance.

MANAGER'S RECOMMENDED ACTION:

The City's membership in ICAP continues to result in receiving excellent casualty and liability coverages and associated services at a competitive price.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative #1, thereby accepting the quote for renewal of the City's membership in the Iowa Communities Assurance Pool, with the net cost of \$474,552 for the coverages listed above.