

**COUNCIL ACTION FORM**

**SUBJECT: EXCESS WORKERS COMPENSATION INSURANCE RENEWAL**

**BACKGROUND:**

The City began purchasing Excess Workers' Compensation Insurance coverage brokered by Holmes Murphy on July 1, 2010, to reduce the financial risk of catastrophic self-insured workers compensation claims. This coverage limits the City's financial exposure for self-insured workers compensation claims (including police and firefighter Chapter 411 injury disability claims) to a maximum dollar amount per individual claim. Beginning with the FY 2014/15 coverage, this also includes an added layer of aggregate protection for multiple large claims exceeding a specified amount.

This coverage, which is provided by Midwest Employers Casualty Company (MWECC), will expire on June 30, 2018. MWECC provided a renewal quotation through Holmes Murphy for the same level of coverages. The cost is based on the City's estimated FY 2018/19 payroll. Together, the individual claim and aggregate layer coverages protect the City against unlimited financial exposure for both large individual claims and catastrophic events where there are multiple injuries.

**QUOTATION RECAP**

Council approval is requested for the FY 2018/19 renewal.

	<b>FY 2018/19</b>	<b>FY 2017/18</b>	
<b>Plan Feature</b>	<b>Self-insured and insured amounts</b>	<b>Self-insured and insured amounts</b>	<b>City and Insurer responsibility explained below:</b>
Per claim self-insured threshold	<b>\$500,000</b>	<b>\$500,000</b>	City pays 100% of each claim up to \$500,000
Aggregate Layer	<b>\$2,000,000</b>	<b>\$2,000,000</b>	MWECC pays all claims after the City has paid this amount
<b>PREMIUM COST</b>	<b>\$100,693</b>	<b>\$97,557</b>	The FY 2018/19 Budget is \$100,500

Excess Workers Compensation rates are typically affected by past claims experience and national trends of overall claims experience and medical cost inflation. Increased payroll is responsible for the increase in premium. The rate remained fairly equal to FY 2017/18 (\$.2478/\$100 of payroll vs. \$.2489/\$100 of payroll).

MWECC has also provided an option for the City to increase the per claim self-insured threshold from \$500,000 per claim to \$550,000 per claim or \$600,000. While this change would increase the City's potential exposure, the premium for FY 2018/19 could be reduced to \$95,236 or \$90,324 respectively. In the time the City has had a relationship with its current broker (8 years), the City has never had a single claim approach the \$500,000 mark. However, a catastrophic incident could conceivably generate one or more individual claims approaching this amount which would likely more than offset the \$5,000 to \$10,000 in premium savings.

Additionally, the City's broker received quotes from EMC Insurance and Safety National for the coverage at the current limits. The quote from EMC was a premium cost in excess of \$300,000 and the quote from Safety National was for a premium cost of \$120,000.

**ALTERNATIVES:**

1. Accept the quote from Holmes Murphy & Associates, for coverage with Midwest Employers Casualty Company (MWECC), with the same coverage types and limits as expiring at a renewal premium of \$100,693.
2. Select an alternative quote from EMC, Safety National, or the quote with higher limits through MWECC.
3. Reject the quote and direct staff to search for other alternatives.
4. Decline to purchase Excess Workers Compensation Insurance and self-insure 100% of all employee injury claims that are incurred.

**MANAGER'S RECOMMENDED ACTION:**

The City has significant financial exposure for medical and long-term disability expenses from statutory 411 police and firefighter claims, as well as from other job classifications such as power plant workers and electric distribution employees. The individual claim and aggregate layer coverages will protect the City against unlimited financial exposure for large individual claims and for events that could cause multiple injuries.

Midwest Employers Casualty Company continues to provide acceptable excess workers compensation insurance that limit catastrophic injury claims costs for the City of Ames.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, thereby accepting the quote from Holmes Murphy & Associates, for coverage with Midwest Employers Casualty Company (MWECC), with the same coverage types and limits as expiring at a renewal premium of \$100,693.