

COUNCIL ACTION FORM

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

BACKGROUND:

The City's annual membership in the Iowa Community Assurances Pool (ICAP) expires on June 30, 2021. **The City has been a member of ICAP 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 is 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).

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 (underwriting, loss control, and claims handling). A summary of ICAP's quote for these services showing the current and upcoming year's proposed fees is shown below:

Type of Coverage and Amount	FY 2020/21 Current	FY 2021/22 Quote
General Liability (\$2,000,000)*	\$189,258	\$188,353
Bond, incl. fee	4,689	4,689
Automobile (\$2,000,000)*	222,569	202,529
Public Officials (\$2,000,000)*	36,745	40,420
Law Enforcement (\$2,000,000)*	30,271	33,298
Bookmobile Damage (\$261,300)**	578	649
Excess Liability (\$13,000,000)	115,836	116,601
Subtotal Cost	\$599,946	\$586,539
Less ICAP Membership Credit	(\$93,414)	--
Net Invoice Cost	\$506,532	\$586,539

*The coverage lines marked with asterisks are quoted with the limits provided in parentheses. Claims exceeding these coverage limits are also covered by the \$13 million excess liability policy, which brings the total coverage limit per claim to \$15 million.

**The Bookmobile is the only City vehicle that has physical damage protection. The coverage amount is the estimated replacement cost of the Bookmobile. Other City vehicles are not covered for physical damage (i.e., damage caused to the vehicle that is at the City's fault is not covered by insurance, but is rather paid through accumulated fleet replacement funds).

The quote for coverage is a slight decrease in the gross premium from the quote for FY 2020/21. **Significantly this year, ICAP is not offering a membership credit as provided in the past.** This is due to increasing claims against the ICAP pool in the past year, which have depleted funds available to provide the credit. The loss of the member credit leads to an overall increase in the net premium. The FY 2021/22 Net Cost is an increase of 16% from the Net Cost for FY 2020/21.

Although the ICAP Board has consistently issued a credit each year since the City has been a member, it is not included in the Risk Management Budget, since the issuance of the credit is not guaranteed. The amount of the credit can vary from year to year. Typically when a credit is received, the budgeted funding it offsets remains in the Risk Fund for payment of deductibles and claims.

The FY 2021/22 Budget includes funding in the amount of \$659,940 for liability coverage.

ALTERNATIVES:

1. Accept the quote for renewal of the City's membership in the Iowa Communities Assurance Pool (ICAP), with the cost not to exceed \$586,539 for the coverages indicated above.
2. Direct staff to seek other alternatives for casualty and liability insurance.

CITY 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 No. 1, as described above.