

COUNCIL ACTION FORM

SUBJECT: EXCESS WORKERS' COMPENSATION INSURANCE

BACKGROUND:

The City currently does not have excess Workers' Compensation insurance coverage, and is one of a few larger municipalities in the State that do not carry this type of insurance. Workers' Compensation Excess coverage is purchased to cover catastrophic events that result in either extremely severe work related injuries or involve injuries to multiple employees.

Insurers will not deal directly with City of Ames staff. Therefore, a Request For Qualifications (RFQ) was sent out on September 24, 2009, in order to obtain the services of an agent or broker that could approach insurers on our behalf. As a result of the RFQ process, Holmes Murphy Agency of Des Moines was selected by staff as the agent of record for the City.

Through the efforts of Holmes Murphy, the City has now received quotations for Workers' Compensation Excess Insurance from three insurers, the results of which are detailed below. The retention amounts shown are on a "per claim" basis. A claim could involve one employee or multiple employees (e.g., a building collapse that injures several people). Under these coverages, the City would pay up to the retention amount for claim expenses, after which the insurance company would pick up all additional expenses. Coverage under each of these quotes would be effective July 1, 2010.

<u>Name of Company</u>	<u>Insured's Retention</u>	<u>Annual Premium</u>
Safety National	\$400,000	\$60,949
Safety National	\$450,000	\$53,042
Midwest Employers Casualty	\$400,000	\$81,309
Midwest Employers Casualty	\$450,000	\$71,294
Employers Mutual	\$250,000	\$112,604
Employers Mutual	\$350,000	\$ 90,223

Safety National has an A.M. Best rating of A-x (Excellent) and has also been recommended to staff by our Workers' Compensation Claims processor, EMC Risk Services. Safety National has quoted the lowest premium for the amount of risk that the City is willing to undertake, which staff recommends be \$450,000.

In addition to the “per occurrence” coverage, Safety National can also provide aggregate insurance with a \$1 million retention for an additional annual premium of \$9,000. This coverage would take effect after the City spent \$1,000,000 on claims in a given year. Given the very low likelihood of our reaching this claims level, staff is recommending that the City not purchase this aggregate insurance.

Payment of the premium will be made from the Risk Management fund. That expense will then be allocated to departmental budgets based on the probability of a catastrophic workers compensation event and upon loss history.

ALTERNATIVES:

1. Accept the quote from Safety National with \$450,000 retention and an annual premium of \$53,402.
2. Accept the quote from Safety National as stated in Alternative #1, and add the aggregate coverage for an additional annual premium of \$9,000 effective.
3. Select an alternative offer from the quotes received.
4. Reject all offers and elect not to purchase excess Workers’ Compensation insurance.

MANAGER'S RECOMMENDED ACTION:

While the City’s long-term workers compensation claims experience has been favorable, the possibility exists that a catastrophic accident could severely injure one or more employees. Should that occur, the costs would need to be borne from the City’s operating budget. Purchasing excess Workers Compensation coverage would protect our taxpayers and utility customers from this risk.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative #1, thereby accepting the quote from Safety National with \$450,000 retention and an annual premium of \$53,402.