

**COUNCIL ACTION FORM**

**SUBJECT: RENEWAL OF CASUALTY & LIABILITY INSURANCE COVERAGES**

**BACKGROUND:**

The City's liability coverage policy will expire on June 30, 2011. This coverage has been provided by the Iowa Communities Assurance Pool (ICAP) since July 1, 2004.

ICAP is a group self-insurance program endorsed by the Iowa League of Cities since its inception in 1986. ICAP is governed by a Board of Directors comprised of seven representatives of participating members. It is member-owned and provides property and casualty coverage to nearly 640 Iowa public entities. Every ICAP member has equity that increases through the first six years of membership, at which point the member is 100% vested and becomes eligible for a surplus distribution. With the current renewal, the City of Ames will have six years in ICAP's program and will hereafter become eligible for any future surplus distribution.

In 2007, the ICAP Board of Directors elected to return a portion of each qualifying member's equity. Since then, vested members receive a return which is paid in three annual installments. The City will be receiving the second of three checks in the amount of \$70,484.62 in late August or early September. This money will be added to the Risk Management Fund's available balance.

In addition, there is a member distribution redemption which is an amount that varies depending on the amount of investment income earned by the system during the prior policy year. For the City of Ames, this distribution for the 2011/12 policy year is \$32,763.90 which will be deducted from the total premium (see below).

The following coverages are included in the program provided by ICAP:

- General Liability
- Automobile Liability
- Transit (CyRide)
- Public Officials
- Law Enforcement Activities
- Property – Ice Arena
- Automobile Physical Damage for Bookmobile
- Excess Liability (\$4 million of coverage over the primary coverage of \$2 million annually)

Staff did not seek alternative providers of these coverages this year. The relationship with ICAP is satisfactory, and is now paying off monetarily in the form of rebates.

The renewal quotation costs by area of coverage are presented below.

	<b>10-11 General Liability</b>	<b>11-12 Budget</b>	<b>11-12 Proposal</b>
<b>General Liability</b>	\$159,275	\$161,500	\$157,621
<b>Auto</b>	61,057	58,355	50,566
<b>Transit</b>	109,864	112,990	123,798
<b>Public Officials</b>	23,710	27,400	23,611
<b>Law Enforcement</b>	23,969	28,000	25,348
<b>Excess</b>	69,463	65,280	75,167
<b>Auto Physical Damage</b>	692	727	554
<b>Property</b>	8099	8158	7,911
<b>Agent Fee</b>	1000	1000	1,000
<b>Bonds</b>	6,173	6173	5,450
<b>Member Distribution</b>	<b>(22,528)</b>	---	<b>(32,763)</b>
<b>Total</b>	<b>\$440,774</b>	<b>\$469,583</b>	<b>\$438,263</b>

ICAP has also provided the attached quotes for six higher limits of liability. It has come to staff's attention that a number of other, larger local governments in Iowa purchase more than the \$6 million limit previously selected by the City. **Because the potential to reach a \$6 million limit is not difficult to imagine, it seems prudent to increase this limit to \$12 million at an additional cost of \$14,679.** This is based on the exposures presented by law enforcement and other third-party liability claims that are inherent in the operation of a municipality. Funding to cover this increase is available within the Risk Management fund available balance.

#### **ALTERNATIVES:**

1. Accept the renewal proposal from the Iowa Communities Assurance Pool, including the \$12 million coverage limit, in the net amount of \$452,942 (\$438,263 + \$14,679).
2. Accept the proposal from the Iowa Communities Assurance Pool in the amount of \$438,263 and retain the \$6 million limit.
2. Accept the proposal from the Iowa Communities Assurance Pool with some other level of additional coverage.
4. Reject the proposal from ICAP and direct staff to seek other quotations for coverage.

#### **MANAGER'S RECOMMENDED ACTION:**

It appears that obtaining an additional \$6 million of liability coverage for an additional \$14,679 is prudent given the liability exposure from the City's many operations.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, thereby approving renewal of insurance coverage with the Iowa Communities Assurance Pool in the amount of \$452,836 with a \$12 million limit.

Iowa Communities Assurance Pool (ICAP)  
Quotation Summary  
City of Ames  
Effective Date: 7/01/2011

<u>Coverage Limits</u>	<u>Total Premium</u>
\$6 Million	\$471,026
\$7 Million	\$475,628
\$8 Million	\$478,848
\$9 Million	\$481,214
\$10 Million	\$483,035
\$11 Million	\$484,495
\$12 Million	\$485,705