

**COUNCIL ACTION FORM**

**SUBJECT: EXCESS WORKERS' COMPENSATION INSURANCE**

**BACKGROUND:**

The City purchases excess Workers' Compensation insurance coverage through Safety National. This coverage limits the City's self-insured workers compensation claims (including police and firefighter 411 disability claims) to a set dollar amount, above which Safety National fully insures the claim.

The City's current policy will expire on June 30, 2102. Safety National provided a renewal quotation based on the City's estimated FY 2012/13 payroll (approximately \$34.8 million) times the insurer's rate. That rate is affected by a review of the City's past claims experience and national trends such as overall claims experience and medical cost inflation.

Each workers compensation claim is covered by Safety National's excess coverage if it meets or exceeds the \$500,000 threshold for the 2012/13 proposal. Previously, the maximum exposure per claim for the City was \$475,000. Nationally the insurance industry has been increasing the floor for coverage due to increased police and fire claims, which is one of the City's exposures. This is not due to losses incurred by the City of Ames.

<b><u>Rate per</u></b> <b><u>\$100 of Payroll</u></b>	<b><u>Insured's</u></b> <b><u>Retention</u></b>	<b><u>Annual</u></b> <b><u>Premium</u></b>
2011/12 \$0.1610	\$475,000	\$54,564
2012/13 \$0.1706	\$500,000	<u>\$61,920</u>

The City has a definite exposure to long-term medical disability expenses from statutory 411 police and firefighter claims as well as other major exposures across the City, such as line workers and power plant workers.

The City's 2012/13 Budget anticipated the renewal cost to be \$57,606. The budget shortfall for this coverage will be added to departmental payments to the Risk Management Fund for this purpose for 2012/2013.

**ALTERNATIVES:**

1. Accept the quote from Safety National with the increased \$500,000 Retention and annual premium of \$61,920.
2. Reject the quote from Safety National and direct staff to search for other alternatives.

**MANAGER'S RECOMMENDED ACTION:**

Safety National continues to provide acceptable excess workers compensation insurance for the City of Ames.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, thereby approving the renewal of insurance coverage with Safety National, with a \$500,000 retention and an annual premium of \$61,920.