

**COUNCIL ACTION FORM**

**SUBJECT: CASUALTY AND LIABILITY INSURANCE COVERAGES RENEWAL**

**BACKGROUND:**

The City's annual membership in the Iowa Community Assurances Pool (ICAP) expires on June 30, 2016. **The City has been a member of the pool 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 in the state. ICAP was established in 1986 under Iowa Code section 670.7 as 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).

City staff does not routinely seek alternatives to this program each year. 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 from underwriting, loss control, and claims. A summary of ICAP's quote for these services showing the current and upcoming year's proposed fees is shown below:

	<b>FY 2016/17 Quote</b>	<b>FY 2015/16 Current</b>
<b>Type of Coverage:</b>	\$15 million limits	\$15 million limits
General Liability --at \$15 million Limit	\$ 258,347	\$ 257,040
Bond, incl. fee	5,689	5,623
ICAP Credit*	(90,240)	(92,725)
<b>Liability and Bond Sub-total</b>	<b>\$ 173,796</b>	<b>\$ 169,938</b>
<b>Department Specific:</b>		
Automobile	268,838	242,031
Public Officials	33,313	31,206
Law Enforcement	33,652	30,799
Bookmobile Damage	578	578
<b>Total Net (Invoice) Cost</b>	<b>\$ 510,178</b>	<b>\$ 474,552</b>

\*See explanation below related to Credit.

The quote for coverages is a 7.5% increase over the invoice amount for FY 2015/16. The largest area of increase is in automobile coverage (11%), where the City has added an additional 16 covered vehicles to the coverage.

The City was recently notified by ICAP that member credits have again been made available based on the size and financial condition of the pool, including such factors as loss experience and investment income. The amount of the credit distributed to the City of Ames this year is \$90,240. **As in past years, this amount will be used to directly offset the July 1 renewal invoice.**

Although the ICAP Board has consistently issued a credit each year since the City became a member, it has never been 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. For example, the 2015/16 credit was \$92,715, the 2014/15 credit was \$69,371, and the 2013/14 credit was \$45,568.

The FY 2016/17 Budget includes funding in the amount of \$551,279 for liability coverage.

**ALTERNATIVES:**

1. Accept the quote for renewal of the City's membership in the Iowa Communities Assurance Pool with at a net cost of \$510,178.30 for the coverages indicated above.
2. Direct staff to seek other alternatives for casualty and liability insurance.

**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, thereby accepting the quote for renewal of the City's membership in the Iowa communities Assurance Pool at a net cost of \$510,178.30 for the coverages indicated above.