

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, 2017. **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).

City staff did not seek alternatives to this program this 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 (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:

	FY 2017/18 Quote	FY 2016/17 Current
Type of Coverage:	\$15 million limits	\$15 million limits
General Liability --at \$15 million Limit	\$ 329,210	\$ 323,762
Bond, incl. fee	5,689	5,689
Automobile	218,530	216,455
Public Officials	28,455	26,832
Law Enforcement	27,608	27,102
Bookmobile Damage	578	578
Subtotal Cost	\$ 610,070	\$ 600,418
ICAP Membership Credit*	(98,747)	(90,240)
Total Net (Invoice) Cost	\$ 511,323	\$ 510,178

*See notes below related to Credit.

The quote for coverage is a 1.6% increase over the quote for FY 2016/17. However, this increase is largely offset by a larger membership credit from ICAP for the renewal year.

The net increase is 0.2% over the invoice amount for FY 2016/17. The membership credit varies each year and is based on the size and financial condition of the pool, including such factors as loss experience and investment income. **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 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. For example, the 2016/17 credit was \$90,240, the 2015/16 credit was \$92,715, and the 2014/15 credit was \$69,371.

The FY 2017/18 Budget includes funding in the amount of \$636,443 for liability coverage.

ALTERNATIVES:

1. Accept the quote for renewal of the City's membership in the Iowa communities Assurance Pool (ICAP), with the net cost of \$511,323 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 quote for renewal of the City's membership in the Iowa communities Assurance Pool (ICAP), with the net cost of \$511,323 for the coverages indicated above.