

ITEM #: 15
DATE: 06-28-22

COUNCIL ACTION FORM

SUBJECT: EXCESS WORKER'S COMPENSATION INSURANCE RENEWAL

BACKGROUND:

The City began purchasing Excess Workers' Compensation Insurance coverage brokered by Holmes Murphy on July 1, 2010, to reduce the financial risk of catastrophic self-insured worker's compensation claims. This coverage limits the City's financial exposure for self-insured worker's compensation claims (including police and firefighter Chapter 411 injury disability claims) to a maximum dollar amount per individual claim. Beginning with the FY 2014/15 coverage, this also includes an added layer of aggregate protection for multiple large claims exceeding a specified amount.

This excess coverage, which is provided by Midwest Employers Casualty Company (MWECC), will expire on June 30, 2022. MWECC provided a renewal quotation through Holmes Murphy. **Together, the individual claim and aggregate layer coverages protect the City against unlimited financial exposure for both large individual claims and catastrophic events where there are multiple injuries. Excess Workers Compensation rates are typically affected by past claims experience and national trends of overall claims experience and medical cost inflation.**

The City's current policy includes a per-claim threshold of \$500,000. This year, MWECC is requiring that the per-claim threshold be raised to \$750,000. The per-claim threshold is the amount an individual claim must exceed before the excess insurance provides coverage. All individual claims below the per-claim threshold are paid entirely by the City in a self-insured manner.

Holmes Murphy received a quote from the incumbent carrier (MWECC) as well as Safety National. Safety National also required a \$750,000 per-claim threshold on municipal employees, Electric, Police and Fire Fighters. Even with these increased thresholds, Safety National's quote was \$150,000.

The incumbent provider (MWECC) has quoted a premium of \$135,175, which is 11% increase over the current coverage.

A detailed outline of the current coverage and the quoted coverage from MWECC for next fiscal year follows below:

	FY 2021/22 Current	FY 2022/23 Quote
Plan Feature	Self-insured and insured amounts	Self-insured and insured amounts
Per claim self- insured threshold	\$500,000	\$750,000
Per claim self-insured threshold for Electric, Police, and Firefighters	\$750,000	\$750,000
Aggregate Layer	\$2,000,000	\$2,000,000
PREMIUM COST	\$121,601	\$135,175

The City's budget for FY 2022/23 includes \$133,761 in funding for this coverage. The budget and quoted costs are based on the City's estimated FY 2022/23 payroll. The actual amount billed will be based on reconciliation audits reflecting the City's actual employment numbers across various employee classifications throughout the year.

ALTERNATIVES:

1. Accept the quote from Holmes Murphy & Associates, for coverage with Midwest Employers Casualty Company (MWECC), at a renewal premium of \$135,175.
2. Reject the quote and direct staff to search for other alternatives.
3. Decline to purchase Excess Workers Compensation Insurance and self-insure 100% of all employee injury claims that are incurred.

CITY MANAGER'S RECOMMENDED ACTION:

In order to mitigate the financial risk of self-insuring 100% of the possible Workers Comp claims in FY 2022/23, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1.