

ITEM #: 23
DATE: 06-25-24
DEPT: HR

COUNCIL ACTION FORM

SUBJECT: EXCESS WORKERS' 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.

The current excess coverage, which is provided by Midwest Employers Casualty Company (MWECC), will expire on June 30, 2024. 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 \$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.

Last year, Holmes Murphy was able to negotiate a two-year premium that covered FY 2023/24 and FY 2024/25. In accepting this quote last year, the City guaranteed that its premium would not increase for this fiscal year.

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

	FY 2022/23	FY 2023/24	FY 2024/25
Plan Feature	Self-insured and insured amounts	Self-insured and insured amounts	Self-insured and insured amounts
Per claim self-insured threshold	\$750,000	\$750,000	\$750,000
Per claim self-insured threshold for Electric, Police, and Firefighters	\$750,000	\$750,000	\$750,000
Aggregate Layer	\$2,915,677	\$5,172,149	\$5,172,149
PREMIUM COST	\$135,175	\$144,014	\$144,014

The City's budget for FY 2024/25 includes \$144,014 in funding for this coverage. The budget is based

on the City's having accepted the proposed two-year guaranteed premium for FY 2023/24 and FY 2024/25. 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 second-year guaranteed premium from Holmes Murphy & Associates, for FY 2024/25 coverage with Midwest Employers Casualty Company, at a renewal premium of \$144,014.
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:

Midwest Employers Casualty Company provided a guaranteed rate for FY 2024/25. This enabled the City to control its excess workers' compensation coverage for FY 2024/25. Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1.

ATTACHMENT(S):

[City of Ames - 7.01.24 Invoice.pdf](#)