

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, 2025. 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.

This year Holmes Murphy obtained guaranteed pricing from MWECC for FY 2025/26 and FY 2026/27. This allows the City to commit to one year of coverage at a time, but be guaranteed that the premium will not raise the next fiscal year. The aggregate layer (similar to an out-of-pocket maximum for all claims incurred in a year) would increase in the second year of the quote, but remains below the level of the expiring coverage. Staff has evaluated this adjustment and believes it is acceptable.

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

	FY 2024/25	FY 2025/26	FY 2026/27
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	\$5,172,149	\$2,536,905	\$4,566,391
PREMIUM COST	\$144,014	\$151,398	\$151,398

The City's budget for FY 2025/26 includes \$152,660 in funding for this coverage.

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 premium from Holmes Murphy & Associates, for FY 2025/26 coverage with Midwest Employers Casualty Company, at a renewal premium of \$151,398.
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 acceptable excess workers' compensation coverage at a reasonable rate for FY 2025/26. Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, as described above.

ATTACHMENT(S):

[City of Ames - Proposal \(1\).pdf](#)