

ITEM #:	17
DATE:	06-09-26
DEPT:	HR

## COUNCIL ACTION FORM

**SUBJECT: RENEWAL OF CONTRACT WITH HOLMES MURPHY FOR EXCESS WORKERS' COMPENSATION COVERAGE**

### **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 year, this coverage also includes an added layer of aggregate protection for multiple large claims exceeding a specified amount.

**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.**

The current excess coverage, which is provided by Midwest Employers Casualty Company (MWECC), will expire on June 30, 2026. At the time coverage was obtained for FY 2025/26, Holmes Murphy obtained guaranteed pricing from MWECC for two years of coverage: FY 2025/26 and FY 2026/27. This allowed the City to commit to one year of coverage at a time, but be guaranteed that the premium would not raise the next fiscal year. FY 2026/27 is the final fiscal year for this guaranteed rate.

The trade-off to be able to secure a flat premium for the two-year period is that the aggregate layer, or the maximum amount the insurer will pay for claims, would include claims incurred in total during the two-year period. Typically, the claims that contribute to this aggregate coverage limit would "reset" for the renewal year.

No claims have reached the excess insurance layer (\$750,000) during this policy period. Therefore, the entire aggregate layer (maximum) is still available for the second renewal year. A detailed outline of the current coverage and the quoted coverage from MWECC for next fiscal year follows below:

	<b>FY 2024/25</b>	<b>FY 2025/26</b>	<b>FY 2026/27</b>
<b>Plan Feature</b>	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
<b>PREMIUM COST</b>	<b>\$144,014</b>	<b>\$151,398</b>	<b>\$151,398</b>

The City's budget for FY 2026/27 includes \$151,398 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 2026/27 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:**

**Last year Midwest Employers Casualty Company provided a two-year guaranteed premium for FY 2025/26 and FY 2026/27. Should the City decide not to take advantage of the coverage offered at this guaranteed premium, there is a risk that the cost to obtain alternative coverage would be greater.** 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 - Final Prem Comp.pdf](#)