

ACTION FORM BRYAN CITY COUNCIL

DATE OF COUNCIL MEETING: September 22, 2015		DATE SUBMITTED: September 1, 2015	
DEPARTMENT OF ORIGIN: Risk Management		SUBMITTED BY: Cindy Kirk	
MEETING TYPE:	CLASSIFICATION:	ORDINANCE:	STRATEGIC INITIATIVE:
<input type="checkbox"/> BCD	<input type="checkbox"/> PUBLIC HEARING	<input type="checkbox"/> 1ST READING	<input type="checkbox"/> PUBLIC SAFETY
<input type="checkbox"/> SPECIAL	<input type="checkbox"/> CONSENT	<input type="checkbox"/> 2ND READING	<input checked="" type="checkbox"/> SERVICE
<input checked="" type="checkbox"/> REGULAR	<input checked="" type="checkbox"/> STATUTORY		<input type="checkbox"/> ECONOMIC DEVELOP.
<input type="checkbox"/> WORKSHOP	<input type="checkbox"/> REGULAR		<input checked="" type="checkbox"/> INFRASTRUCTURE
			<input type="checkbox"/> QUALITY OF LIFE
AGENDA ITEM DESCRIPTION: Consider approving the Fiscal Year 2016 extension for the City's Excess Liability insurance to Illinois Union Insurance Company in the annual amount of \$209,204.			
SUMMARY STATEMENT: The City of Bryan is self-insured for liability and workers' compensation claims and purchases excess insurance to protect against catastrophic losses. This Council Action Form (CAF) is for consideration of the Excess Liability program. Consideration of the Excess Workers' Compensation is in a separate Council Action Form.			
<p>In previous, years, the City of Bryan had been able to purchase an Excess Public Entity Liability insurance policy, a 'package' policy, which included excess coverage for general liability, auto liability, law enforcement liability, public official liability, employee benefits liability, and workers' compensation. However, the City's Excess Public Entity Liability insurance carrier notified the City in July 2014 that it would not renew the excess 'package' policy effective October 1, 2014. City staff and the City's Sole Broker of Record conducted a competitive Request for Proposals (RFP) for excess liability and excess workers' compensation programs. The City did not receive 'package' policy proposals, only stand-alone proposals, requiring the City to purchase separate policies for excess liability and excess workers' compensation at a cost greater than the 'package' policy premium. As a reminder, the City experienced several significant workers' compensation and liability claims in the five (5) year loss review period: four (4) large workers' compensation losses and one (1) large liability claim. The City's claims and premium history for the past ten (10) years is attached.</p> <p>The City received eight (8) quotes from four (4) insurance carriers for Excess Liability to include general liability, automobile liability, law enforcement liability, public officials liability, employment practices liability, and employee benefits liability. Illinois Union Insurance Company provided the Excess Liability proposal with the best value to the City of Bryan.</p> <p>The current Excess Liability insurance policy was awarded by the City Council to Illinois Union Insurance Company at an annual premium of \$209,296 for the period beginning October 1, 2014, and ending September 30, 2015, with the option to renew for three (3) additional years. The policy provides excess liability coverage with limits of \$5,000,000 per occurrence/\$5,000,000 aggregate, with a self-insured retention of \$500,000 (per occurrence). That is, if a claim exceeds \$500,000, which is the amount up to what the City will cover, the Excess Liability insurance begins and covers the excess over \$500,000 up to the listed maximums per occurrence and aggregate.</p> <p>The policy period beginning October 1, 2015, and ending September 30, 2016, is the first (of three) renewal options for this policy. The FY2016 renewal premium is \$209,204, just slightly lower than the current premium of \$209,296. Policy terms and coverage remain unchanged.</p>			

Illinois Union Insurance Company was selected to provide the Excess Liability insurance policy based on their competitive response to the Request for Proposals. When the City requested proposals for Excess Liability insurance it was the intent to consider extending the policy for three (3) additional years with direct negotiation of renewal terms and pricing. Firms may bid on the City's insurance policy(ies) with the expectation of a four (4) year commitment, although it is not in the policy nor does the City make such a guarantee. If the City bids each year or does not renew extensions, the City may develop a reputation of an annual contract city, which could result in inflated prices.

Side Note: The City contracts for Sole Broker of Record for its property and casualty programs. The City's Sole Broker of Record is paid on a fee basis by the City – rather than by insurance carrier commissions – to review, market, and negotiate insurance programs on the City's behalf. By using a Sole Broker of Record, the City is independently represented to the property/casualty insurance market worldwide, which maximizes obtaining the most favorable coverage and price for the City of Bryan.

STAFF ANALYSIS AND RECOMMENDATION: Staff respectfully recommends the City Council approve the first renewal for Excess Liability insurance to Illinois Union Insurance Company for the policy period beginning October 1, 2015, and ending September 30, 2016, at an annual premium of \$209,204 with a self-insured retention limit at \$500,000 (per occurrence) and policy limits at \$5,000,000 per occurrence/\$5,000,000 aggregate.

The City purchases Excess Liability insurance to provide coverage in excess of its self-insured retention for general liability, auto liability, law enforcement liability, public official liability, and employee benefits liability. This insurance reduces the City's financial exposure.

OPTIONS (In Suggested Order of Staff Preference): (Note: Except for Option #1, options may require consideration at a future City Council meeting. The current policy will expire on October 1, 2015.)

1. Approve the first renewal option for Excess Liability insurance to Illinois Union Insurance Company for the policy period beginning October 1, 2015, and ending September 30, 2016, at an annual premium of \$209,204 with a self-insured retention limit at \$500,000 (per occurrence) and policy limits at \$5,000,000 per occurrence/\$5,000,000 aggregate.
2. Do not approve the first renewal option for Excess Liability insurance and require staff to request proposals for Excess Liability insurance. Note: the term of the current policy ends September 30, 2015. Request for proposals were issued for FY2015 and Illinois Union Insurance Company provided the proposal with the best value to the City. Rejecting this renewal option could leave the City without excess liability insurance.
3. Do not approve the renewal and provide direction to staff.

ATTACHMENTS: Workers' Compensation and Liability Claims and Premium History (attached to this Council Action Form)

FUNDING SOURCE: FY2016 Budget – Self-Insurance Fund (as budgeted in the FY16 proposed budget)

APPROVALS: Hugh R. Walker, 09/04/2015

APPROVED FOR SUBMITTAL: CITY MANAGER

APPROVED FOR SUBMITTAL: CITY ATTORNEY

City of Bryan
Worker's Compensation/Liability Claims & Premium History

	Workers' Comp Total Claims (paid + reserves)	Liability Total Claims (paid + reserves)	Excess Insurance Expected Payout	Excess Package Insurance Premium	Excess Workers' Comp Insurance Premium	Excess Liability Insurance Premium
FY2005	\$234,140	\$379,065	\$0	\$163,000	NA	NA
FY2006	\$295,522	\$306,247	\$0	\$168,720	NA	NA
FY2007	\$224,403	\$205,605	\$0	\$151,694	NA	NA
FY2008	\$469,692	\$560,331	\$0	\$162,312	NA	NA
FY2009	\$116,356	\$320,897	\$0	\$173,673	NA	NA
FY2010	\$1,236,432	\$365,116	\$781,499	\$183,399	NA	NA
FY2011	\$228,949	\$592,766	\$194,928	\$183,399	NA	NA
FY2012	\$239,131	\$194,458	\$0	\$185,233	NA	NA
FY2013	\$12,195,083	\$193,018	\$11,757,818	\$185,233	NA	NA
FY2014	\$1,513,415	\$182,539	\$721,967	\$194,164	NA	NA
FY2015, @ 8/31/15	\$197,847	\$260,748	\$0	NA	\$150,590	\$209,296

Expected Excess Insurance Payout - Liability: \$194,928 (FY2011)

Expected Excess Insurance Payout - Workers' Comp: \$11,971,008 (FY2010, FY2013, and FY2014)