

ACTION FORM BRYAN CITY COUNCIL

DATE OF COUNCIL MEETING: September 22, 2015		DATE SUBMITTED: September 3, 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 Workers' Compensation insurance to Midwest Employers Casualty in the annual amount of \$154,090.			
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 Workers' Compensation insurance program. Consideration of the Excess Liability 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 worker's 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.</p> <p>Of the six (6) global workers' compensation insurance markets approached, Midwest Employers provided the sole proposal. The workers' compensation market conditions for entities with police and fire employees and the City's multiple large workers' compensation losses significantly impacted the response to the RFP. The City had four (4) large workers' compensation losses occur in a five year loss review period. The City's claims and premium history for the past ten (10) years is attached.</p> <p>The current Excess Workers' Compensation insurance policy was awarded by the City Council to Midwest Employers Casualty at an annual premium of \$150,590 for the period beginning October 1, 2014 and ending September 30, 2015, with the option to renew for three (3) additional years. The City's current policy provides a \$20,000,000 Specific Loss Limit (per occurrence) with a \$2,500,000 per occurrence/disease self-insured retention. The Specific Loss Limit is not expected to impact the City as the City has not incurred an occurrence loss greater than \$12,000,000.</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 annual premium is \$154,090. Policy terms and coverage remain unchanged. Midwest's renewal includes a rate increase attributed to continued and projected increases in medical cost trends. The City's renewal premium is a 2.3% increase over the expiring premium. Current market conditions are driving rate increases to between 5% and 10%.</p>			

Midwest provided the sole response to the Request for Proposals last year. The City's prior catastrophic losses remain an underwriting concern for insurance carriers. Continued positive loss experience may provide an opportunity for improved coverage terms and pricing in future years.

When the City requested proposals for Excess Workers' Compensation 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 Workers' Compensation insurance at an annual premium of \$154,090 to Midwest Employers Casualty for the policy period beginning October 1, 2015, and ending September 30, 2016. The policy continues to provide \$20,000,000 Specific Loss limit (per occurrence) with a self-insured retention limit at \$2,500,000 per occurrence/disease. This self-insured retention limit continues to be significant; however, it remains the best available to the City at this time. The City's prior catastrophic losses remain an underwriting concern for insurance carriers.

The City purchases Excess Workers' Compensation insurance to provide coverage in excess of its self-insured retention for workers' compensation. 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 Workers' Compensation insurance to Midwest Employers Casualty for an annual premium of \$154,090 for the policy period beginning October 1, 2015, and ending September 30, 2016. Policy terms and coverage remain unchanged.
2. Do not approve the first renewal option for Excess Workers' Compensation insurance and require staff to request proposals for Excess Workers' Compensation insurance. Note: the term of the current policy ends September 30, 2015. Requests for proposals were issued for FY2015 and only one proposal, Midwest Employers Casualty, was received. Rejecting this renewal option could leave the City without excess workers' compensation insurance coverage.
3. Do not approve the renewal and provide direction to staff.

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

FUNDING SOURCE: FY2016 Budget – Self-Insurance Fund

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

APPROVED FOR SUBMITTAL: CITY MANAGER

APPROVED FOR SUBMITTAL: CITY ATTORNEY

City of Bryan
Workers' 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: \$13,261,284 (FY2010, FY2013, FY2014)