

## ACTION FORM BRYAN CITY COUNCIL

<b>DATE OF COUNCIL MEETING:</b> September 10, 2013		<b>DATE SUBMITTED:</b> August 22, 2013	
<b>DEPARTMENT OF ORIGIN:</b> Risk Management		<b>SUBMITTED BY:</b> Cindy Kirk	
<b>MEETING TYPE:</b>	<b>CLASSIFICATION:</b>	<b>ORDINANCE:</b>	<b>STRATEGIC INITIATIVE:</b>
<input type="checkbox"/> BCD	<input type="checkbox"/> PUBLIC HEARING	<input type="checkbox"/> 1ST READING	<input type="checkbox"/> PUBLIC SAFETY
<input type="checkbox"/> SPECIAL	<input checked="" type="checkbox"/> CONSENT	<input type="checkbox"/> 2ND READING	<input checked="" type="checkbox"/> SERVICE
<input checked="" type="checkbox"/> REGULAR	<input 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
<b>AGENDA ITEM DESCRIPTION:</b> Consider awarding the City's Excess Liability and Excess Workers Compensation program for FY2014 to Associated Industries Insurance Company, Inc. in the amount of \$194,164.			
<b>SUMMARY STATEMENT:</b> The City of Bryan is self-insured for liability and workers compensation claims and purchases excess insurance to protect against catastrophic losses. The City currently purchases an Excess Public Entity Liability insurance policy for an annual premium of \$185,233. This is a 'package' policy that includes excess coverage for general liability, auto liability, law enforcement liability, public official liability, employee benefits disability, and workers compensation. The City's current self-insured retention is \$250,000 and policy limits are \$5,000,000 per occurrence/\$15,000,000 aggregate. That is, if a claim exceeds \$250,000, which is the amount up to what the City will cover, the Excess Public Entity Liability insurance begins and covers the excess over \$250,000 up to the listed maximums per occurrence and aggregate. The 'package' policy costs for the last previous five years was (note: premium rates were typically based on number of City employees and/or payroll):			
<ul style="list-style-type: none"> <li>• FY2013: \$185,233</li> <li>• FY2012: \$185,233</li> <li>• FY2011: \$183,399</li> <li>• FY2010: \$183,399</li> <li>• FY2009: \$173,673</li> </ul>			
<p>City staff and the City's Sole Broker of Record conducted a competitive request for proposals for excess liability and excess worker's compensation coverage for the period beginning October 1, 2013, and ending September 30, 2014, with the option to renew for up to three (3) additional years. Although current limits and retention were requested, alternative self-insured retention amounts were also requested due to anticipated challenges in the workers compensation market. The excess workers compensation market has tightened, and entities with police and fire are experiencing an even greater impact due to loss histories and presumptive disability legislation. As a reminder, the City experienced several significant workers compensation and liability claim in the five year loss review period: one employee death as a result of an auto collision, two firefighter deaths, two significant firefighter injuries, and a police officer involved shooting.</p>			
<p>The City received one (1) proposal for the combined package policy, one (1) proposal for stand-alone excess liability, and three (3) proposals for stand-alone excess workers compensation:</p> <ul style="list-style-type: none"> <li>• Associated Industries Insurance Company, Inc. submitted the sole proposal for a combined package policy (includes excess workers compensation and all requested liability coverage) with a self-insured retention of \$500,000 at an annual premium of \$194,164. The per occurrence policy limit quoted for excess liability coverage is \$5,000,000, except for public official liability at \$2,500,000. The aggregate policy limit quoted for excess liability coverage is \$10,000,000, except for public official liability at \$4,000,000. This policy</li> </ul>			

includes both excess liability and excess workers compensation: no additional policy would need to be purchased.

- The incumbent, Starr Indemnity, submitted a proposal for stand-alone excess liability with a \$500,000 self-insured retention and \$5,000,000 per occurrence coverage limit/\$5,000,000 aggregate coverage limit per line of liability at an annual premium of \$225,000. Excess workers compensation coverage was not quoted. To provide all requested coverage (excess liability and excess workers compensation), a stand-alone excess workers compensation policy would need to be combined with this stand-alone excess liability policy. The total premium to purchase both policies would vary based on the excess workers compensation policy selected—ranging from \$290,409 to \$423,769.
- Midwest Employers Casualty Company submitted a proposal for stand-alone excess workers compensation. The lowest self-insured retention offered was \$1,250,000 at an annual premium of \$97,734. To provide all requested coverage (excess liability and excess workers compensation), the sole stand-alone excess liability policy, submitted by Starr Indemnity, would need to be combined with this stand-alone excess workers compensation policy. The total premium to purchase both policies would be \$322,734.
- Safety National Casualty Corporation submitted a proposal for stand-alone excess workers compensation. The lowest self-insured retention offered was \$1,250,000 at an annual premium of \$198,769. To provide all requested coverage (excess liability and excess workers compensation), the sole stand-alone excess liability policy, submitted by Starr Indemnity, would need to be combined with this stand-alone excess workers compensation policy. The total premium to purchase both policies would be \$423,769.
- Texas Municipal League – Intergovernmental Risk Pool submitted a proposal for stand-alone excess workers compensation with a \$500,000 deductible (self-insured retention) at an annual premium of \$65,409 plus a required loss fund deposit of \$36,500 for a total payment of \$101,909. The proposed policy has restrictions that could provide only \$2,500,000 in coverage. To provide all requested coverage (excess liability and excess workers compensation), the sole stand-alone excess liability policy, submitted by Starr Indemnity, would need to be combined with this stand-alone excess workers compensation policy. The total premium to purchase both policies would be \$290,409 plus the required loss fund deposit of \$36,500.

Associated Industries Insurance Company, Inc. provided the proposal with the best value to the City of Bryan. Associated Industries' package proposal includes both excess liability and excess workers compensation coverage for a total premium of \$194,164, a 5% increase over the expiring premium. The self-insured retention will increase to \$500,000, but this is the lowest retention amount quoted in all proposals. The policy's per occurrence limit is the same as expiring (\$5,000,000), except for public official liability (\$2,500,000). Although the policy aggregate limit is \$10,000,000 (except for public official liability - \$4,000,000) rather than the current \$15,000,000, the limit quoted is greater than other proposals.

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 and the City's Sole Broker of Record respectfully recommend the City Council award Excess Liability and Excess Workers Compensation insurance to Associated Industries Insurance Company, Inc. for the policy period beginning October 1, 2013 and ending September 30, 2014 at an annual premium of \$194,164, with the option to renew for three (3) additional years.

The City purchases Excess Liability and Excess Workers Compensation insurance to provide coverage in excess of its self-insured retention for general liability, auto liability, law enforcement liability, public official liability, employee benefits liability, and 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.)

1. Award Excess Liability and Excess Workers Compensation insurance to Associated Industries Insurance Company, Inc. for the policy period beginning October 1, 2013, and ending September 30, 2014, at an annual premium of \$194,164, with the option to renew for three (3) additional years.

2. Award Excess Liability insurance to Starr Indemnity at an annual premium of \$225,000 and Excess Workers Compensation insurance to Texas Municipal League – Intergovernmental Risk Pool at an annual premium of \$65,409 plus required loss fund deposit of \$36,500 for the policy period beginning October 1, 2013, and ending September 30, 2014, with the option to renew for three (3) additional years. The total annual premium would be \$290,409 plus the required loss fund deposit of \$36,500. Note: may require consideration at a future City Council meeting.

3. Award Excess Liability insurance to Starr Indemnity at an annual premium of \$225,000 and Excess Workers Compensation insurance to Midwest Employers Casualty Company at an annual premium of \$97,734 for the policy period beginning October 1, 2013, and ending September 30, 2014, with the option to renew for three (3) additional years. The total annual premium would be \$322,734. Note: may require consideration at a future City Council meeting.

4. Award Excess Liability insurance to Starr Indemnity at an annual premium of \$225,000 and Excess Workers Compensation insurance to Safety National Casualty Corporation at an annual premium of \$198,769 for the policy period beginning October 1, 2013, and ending September 30, 2014, with the option to renew for three (3) additional years. The total annual premium would be \$423,769. Note: may require consideration at a future City Council meeting.

5. Do not award Excess Liability and Excess Workers Compensation insurance, reject all proposals, and provide direction to staff. Note: the term of the current policy ends September 30, 2013.

**ATTACHMENTS:**

1. Letter of Recommendation and Coverage Comparison from City’s Sole Broker of Record (pdf document)

**FUNDING SOURCE:** FY2014 budget – Self-Insurance Fund (as budgeted)

**APPROVALS:** Hugh R. Walker, 08/22/2013

**APPROVED FOR SUBMITTAL: CITY MANAGER** Kean Register, 08-26-2013

**APPROVED FOR SUBMITTAL: CITY ATTORNEY** Janis K. Hampton, 09-02-2013