

To: Thomas Thomas, City Manager

Subject: Liability Insurance Program for 2013/2014

Date: April 17, 2013

The City of Rock Island is entering its' 19th year of the consolidated liability insurance program. The current excess liability program covers all City departments.

In order to access the excess liability insurance market the city must hire an insurance broker to "shop" the market on behalf of the city. The insurance broker also acts as an insurance consultant throughout the year; a member of the City's General Liability Committee and helps select insurance policies that best protect the city in the most cost efficient manner. Cleaveland Insurance will receive a brokerage fee of \$29,870 for the 13/14 renewal. This fee has been the same for the past 5 years.

Cleaveland Insurance shopped the market and requested formal bids from several insurance companies for the renewal period of May 1, 2013 to May 1, 2014. Cleaveland Insurance has recommended for the 5th year USS Insurance Company which is an A+ company and the continuation of Midwest Claims Service for liability claims in excess of \$25,000. The City will continue to utilize Crawford & Company as its TPA for workers compensation claims and stay with Selective Insurance for property insurance.

Other areas of standalone coverage submitted by Cleaveland Insurance include marine liability, boiler machinery breakdown, excess workers' compensation and liquor liability. The City will experience an increase in property premium of \$7,676 as general property increased. Equipment breakdown has a premium increase of \$754; the rate continues to reflect exposure at the hydroelectric facility and the contingent liability at Jumers. The Marina premium increased \$315. The City has experienced a \$4,407 increase in its workers' compensation premium and we raised our retention levels; the details are listed below. The liquor liability premium increased \$115. Overall the increase cost for insurance is at 5% and is due to property values and worker's compensation.

The City's catastrophic coverage for the upcoming year will be:

- The specific general liability stop loss will remain at \$100,000 with a maximum \$1,000,000 per occurrence. Umbrella coverage will provide additional coverage to \$4,000,000.
- Property coverage will continue with Selective Insurance at the same \$200,000 deductible per occurrence.
- Excess workers compensation coverage, deductible:
 - Police, Fire and EMT's current retention will remain at \$650,000
 - USL&H current retention will remain at \$750,000
 - All other staff current retention will be \$600,000; last year it was \$550,000
- The property coverage package will also maintain coverage against casino revenue losses (tax and fee revenue) caused by a calamity to the casino such as a fire or other potential losses covered under the city's insurance policy.
- The fee for Crawford's TPA services is estimated at \$11,538.

The chart below illustrates the fees associated with last year's coverage in comparison to this year's renewal coverage.

Coverage		2012/2013	2013/2014
General Liability (casualty), Property, Auto Liability, Equipment Breakdown, Employee Benefits Liability, Law Enforcement Liability, Public Officials Liability, Tax interruption, Crime, and Excess Liability Umbrella (additional \$4 million in coverage). Rates include tax.		\$244,246	\$254,436
Liquor Liability		\$2,061	\$2,176
Boiler & Machinery Breakdown (paid separately)		\$4,970	\$5,724
Scheduled Bond for Finance Director (1) (paid separately)		\$997	\$997
Excess Workers' Compensation		\$47,548	\$51,955
Marina Liability		\$12,875	\$13,190
Total Insurance Premium Cost		\$312,697	\$328,478
TPA Services	GL Claims Midwest Claims (estimated)	\$6,000	\$6,000
	Work Comp Claims Crawford & Company	\$16,061	\$11,538
Brokerage Fees (Cleaveland Insurance)		\$29,870	\$29,870
Total Administrative Fees		\$51,931	\$47,408
Total Cost for Insurance and Administration		\$364,628	\$375,886

Notes: (1) Schedule bond premium for the Finance Director will not be known until January 2014. Bond charges are stable and will likely not significantly change. The premium will not be paid until it is renewed.

(2) All third party administrator (TPA) fees are estimated upon an average number of claims over the past five-year claim history. Crawford & Company will continue to administer our workers' compensation claims for an estimated fee of \$11,538. TPA services from Midwest Claims include claims administration for any claim in excess of \$25,000 for all general liability claims (property, auto and casualty) at an estimated fee of \$6,000.

Recommendation: Human Resources recommends City Council approve the self-insurance package, brokerage fee recommended by Cleaveland Insurance and third party administration services. Human Resources recommend City Council approves payment to Cleaveland Insurance in the amount of \$351,627 for the insurance renewals and brokerage fee and approves payment to Crawford & Company in the amount of \$11,538 for third party administration services.

Vendor 1: Cleaveland Insurance
Payment Amount: \$351,627

Account chargeable:

Fund: 621 Self Insurance
Division: 157133 Insurance
Cost Center: 53601 General Liability
Object Class: 0000000 Insurance Premiums

Requisition number:

Vendor 2: Crawford & Company

Payment Amount: \$ 11,538

Account chargeable:

Fund: 621 Self Insurance
Division: 157131 Insurance
Cost Center: 53104 General Liability
Object Class: 0000000 Insurance Administrative Services

Requisition number:

Submitted by: John D. Thorson, Human Resources Director
Patrick Doherty, Risk Manager

Approved by: Thomas Thomas, City Manager