

To: Thomas Thomas, City Manager

Subject: Liability Insurance Program for 2012/2013

Date: April 18, 2012

The City of Rock Island is entering its' 18<sup>th</sup> 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 12/13 renewal. This fee has been the same for the past 4 years.

Cleaveland Insurance shopped the market and requested formal bids from several insurance companies for the renewal period of May 1, 2012 to May 1, 2013. Cleaveland Insurance has recommended for the 4<sup>th</sup> 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 \$6,726 due to new values for Schweibert Park and the Public Works Garage. Equipment breakdown has a premium increase of \$696; the rate continues to reflect exposure at the hydroelectric facility and the contingent liability at Jumers. The Marina premium remains flat, no increase. The City has experienced a \$4,652 increase in its workers' compensation premium and we raised our retention levels; the details are listed below. The City could retain our current levels for an additional premium of \$6,128 but our broker could not defend the higher premium. The liquor liability premium remains flat, no increase. Overall the increase cost for insurance is at 3.8% 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 is \$550,000, in FY 12/13 it will be \$650,0000
  - USL&H current retention is \$750,000 and it remains the same in FY 12/12
  - All other staff current retention is \$450,000, in FY 12/13 it will be \$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 will remain at \$16,061.

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

Coverage		2011/2012	2012/2013
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.		\$237,000	\$244,246
Liquor Liability		\$2,061	\$2,061
Boiler & Machinery Breakdown (paid separately)		\$4,321	\$4,970
Scheduled Bond for Finance Director (1) (paid separately)		\$997	\$997
Excess Workers' Compensation		\$42,896	\$47,548
Marina Liability		\$12,875	\$12,875
<b>Total Insurance Premium Cost</b>		<b>\$300,150</b>	<b>\$312,697</b>
TPA Services	<b>GL Claims</b> Midwest Claims (estimated)	\$6,000	\$6,000
	<b>Work Comp Claims</b> Crawford & Company	\$16,061	\$16,061
Brokerage Fees (Cleaveland Insurance)		\$29,870	\$29,870
<b>Total Administrative Fees</b>		<b>\$51,931</b>	<b>\$51,931</b>
<b>Total Cost for Insurance and Administration</b>		<b>\$352,801</b>	<b>\$364,628</b>

**Notes:** (1) Schedule bond premium for the Finance Director will not be known until March 2013. 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 \$16,061. 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:** Administrative Services recommends City Council approve the self-insurance package, brokerage fee recommended by Cleaveland Insurance and third party administration services. Administrative Services recommends City Council approves payment to Cleaveland Insurance in the amount of \$342,567 for the insurance renewals and brokerage fee and approves payment to Crawford & Company in the amount of \$16,061 for third party administration services.

**Vendor 1: Cleaveland Insurance**

**Payment Amount: \$342,567**

**Account chargeable:**

**Fund: 621 Self Insurance**  
**Division: 157133 Insurance**  
**Cost Center: 53601 General Liability**  
**Object Class: 000000 Insurance Premiums**

**Requisition number: R003256**

**Vendor 2: Crawford & Company**

**Payment Amount: \$ 16,061**

**Account chargeable:**

**Fund: 621 Self Insurance**  
**Division: 157131 Insurance**  
**Cost Center: 53104 General Liability**  
**Object Class: 000000 Insurance Administrative Services**

**Requisition number: R003257**

**Submitted by: John D. Thorson, Administrative Services Director**  
**Patrick Doherty, Risk Manager**

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**Approved by: Thomas Thomas, City Manager**