



AGENDA MEMORANDUM

Action Item for the City Council Meeting October 1, 2019

DATE: August 23, 2019
TO: Peter Zanoni, City Manager
FROM: Miles Risley, City Attorney
MilesR@cctexas.com
826-3739

Renewal of Excess Liability and Workers' Compensation Insurance

CAPTION:

Resolution authorizing payment of \$639,187.92 for the annual renewal of Excess Liability and Worker's Compensation through Broker of Record, Carlisle Insurance Agency for upcoming policy year October 1, 2019-September 30, 2020.

SUMMARY:

The current Excess Liability and Workers' Compensation policy expires 9/30/2019. This policy is an umbrella policy which provides an added layer of coverage above the City's \$500,000 liability self-insured and \$500,000/\$750,000 workers compensation self-insured programs. The current expiring excess policy limits are the same as the expiring, Carlisle Insurance Agency, the City's Broker of Record, solicited quotes for an Excess Liability and Workers' Compensation policy from the insurance markets and presents this quote for approval. The expiring premium is \$583,527.

BACKGROUND AND FINDINGS:

The City's Risk Management Division manages several insurance policies for the City which include Property, Excess liability and workers' compensation, Auto Physical Damage (high valued vehicles over 90,000), Mobile Equipment, Auto Catastrophic, Crime Employee Airport Liability, and the Gas Utility Department because of its unique proprietary function. Prior to 2015 the City utilized requests for bids to obtain virtually all lines of insurance coverage with the exception of coverage lines provided by Texas Municipal League (TML) Intergovernmental Risk Pool. After examining potential benefits, staff determined cost savings could be achieved through the use of a Broker of Record arrangement. In 2015 the City changed its traditional methodology of procuring property and excess liability insurance through the Broker of Record on a flat fee basis rather than the traditional contingency percentage basis. The City awarded a Broker of Record contract to Carlisle Insurance Agency effective January 1, 2016 for Property Insurance for one year with four one-year options to renew.

The first two years of the Property Broker of Record service contract with Carlisle Insurance Agency, saved the City approximately \$1,000,000 in 2015-2016. Additionally, Carlisle Insurance Agency also recommended restructuring the City's National Flood Insurance Program stand-alone policies that resulted in additional cost savings of \$160,000 in FY 2016-17 and FY2017-18, On December 19, 2017 the City's Request for Proposal Event 71 was amended to include Excess

Liability and Excess Workers' Compensation brokerage services at a flat fee. December 15, 2020 will be the last year of the contract.

The Broker of Record, Carlisle Insurance Agency solicited nine insurance carriers for excess liability renewal quotes and of those carriers only received three quotes, the incumbent market, being the most competitive which is presented for approval.

The following are the expiring and proposed quote's policy limits:

Worker's Compensation/Employers Liability-Statutory Limits/\$1,000,000

General Liability, Auto Liability, Employee Benefits Liability and Law Enforcement Liability Limits-\$5,000,000 per occurrence and \$10,000,000 aggregate

Public Officials Liability-\$2,000,000 per occurrence \$4,000,00 aggregate

Fiscal Year	Premium	Coverage Amount per Claim
FY18-2019	\$ 589,527.00	W/C \$500K (Civilian)/\$750K (Uniform) - Statutory Liability (Civil Rights) \$500K Deductible - \$5Mil Max Public Officials Liability \$500K Deductible - \$2Mil Max
FY19-2020	\$ 639,187.92	W/C \$500K (Civilian)/\$650K (Uniform) - Statutory Liability (Civil Rights) \$500K Deductible - \$5Mil Max Public Officials Liability \$500K Deductible - \$2Mil Max
8% Increase in Premium		

The factors driving the increase in premium are: A contracting excess insurance market thereby increasing the rate, increased City payroll (a factor used in underwriting), two large losses in excess of \$500,000 self-retention.

ALTERNATIVES:

If this item is not approved the alternative is for the City to fully self-insure its liability and workers' compensation claims, settlements and lawsuits funded by Risk Management. Currently, the City's maximum exposure per claim for liability is \$500,000 per occurrence. For workers' compensation it is \$500,000/\$750,000 (Fire and Police) per injury. The excess policy limits the city's financial liability, whereas being fully self-insured would increase the City's financial exposure and may have significant impact on reserves as annual actuarial data and reports have not contemplated a fully self-insured program.

FISCAL IMPACT:

Risk Management included this expenditure of \$639,187.92 in its FY 2019-2020 Liability/Employee Benefits & Workers' Compensation Funds. The Risk Management fund is an internal operating fund based on cost allocation to each department. Approval of this item is an annual reoccurring expenditure to limit the City's financial exposure under its current self-insurance program.

Funding Detail:

Fund: 5611 & 5612 (50/50 Fee Split)

Organization/Activity: Workers Compensation - 40510 & General Liability - 40520

Mission Element: 005

Project # (CIP Only): N/A

Account: 537030

RECOMMENDATION:

Staff recommends approval of payment authorization in the amount of \$639,187.92 for the annual renewal of Excess Liability and Worker's Compensation through Broker of Record, Carlisle Insurance Agency for upcoming policy year (October 1, 2019-September 30, 2020).

LIST OF SUPPORTING DOCUMENTS:

December 15, 2015 Service Agreement

December 19, 2017 Amended Service Agreement

August 16, 2019 Excess Liability and Workers' Compensation Quote