

City of Independence

MEMORANDUM

Finance Department

DATE: March 8, 2019
TO: Bryan Kidney, Director of Finance & Administration
FROM: Terry A. Hartwig, Risk Manager
SUBJECT: City's Liability Insurance Program



The City's current liability insurance program is provided by Missouri Public Entity Risk Management Fund (MOPERM) for the first six month of calendar year 2019. MOPERM increased the City's premium by \$242,705 or 70% to \$584,856 for this coverage period, in addition to raising deductible limits for most coverages. Commonly known as a "shared-risk pool", MOPERM is a self-insurance fund offering broad liability insurance coverage to municipalities and counties in Missouri. The City joined MOPERM in May 1987. This liability insurance program transfers the risk of liability claims up to the State's Sovereign Immunity Statute coverage limits. Upon terminating coverage with MOPERM, the City must wait three years before approaching MOPERM for a liability insurance program proposal.

Due to liability risks of operating a the fourth largest City in Missouri and the history of large claim exposures it became apparent that the MOPERM could no longer provide the City with a cost effective Liability Insurance Program. Due to the short notice the City received from MOPERM regarding the cost prohibitive premium and deductible increases, staff was not able to find a financially competitive insurance program to replace the MOPERM program. With the assistance of our broker, Lockton Companies (Lockton), and our risk management consultant, Charlesworth Consulting (Charlesworth), they reviewed 6 different insurance programs. Five insurance programs provided unrealistic premiums and deductibles proposals.

Lockton and Charlesworth recommend the City move their Liability Insurance Program to the States Self-Insurers Retention Group, Inc. (States), since it has the following advantages:

1. States annualized premium of \$598,704 is \$571,008 less than MOPERM's annualized premium of \$1,116,712.
2. With States \$10,000,000 coverage limit, the City does not have to spend \$179,837 annually on a \$10,000,000 Excess Liability Insurance Policy.
3. The annualized premium savings is \$750,845 or 55.64%.
4. States continues to transfer the risk of liability claims up to the State's Sovereign Immunity Statute coverage limits.
5. Cancellation of the MOPERM policy will result in a \$292,428 refund in unused premium.
6. Using these savings to create a Risk Management Fund to pay for open MOPERM claims and future claims under the States' self-insured retention amount, which is the deductible under the MOPERM policy.

Please refer to Bob Charlesworth's recommendation letter that is attached for a more detailed explanation of the States Liability Insurance Program and its impact on the City. Please let me know if you have any questions or need additional information.