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CHARLESWORTHCONSULTING.COM

March 8, 2019

Mr. Bryan Kidney
Director of Finance and Administration
City of Independence, Missouri

Re: Liability Insurance
4/1/2019 Inception

Dear Bryan:

Our office has reviewed the liability insurance programs for the City, along with claims history and claims management. The incumbent insurer – MOPERM – has dramatically increased the premiums and deductibles for the City which triggered a market search for other risk transfer alternatives for consideration. The City solicited the assistance of Lockton Companies – the City’s insurance broker – to provide some alternative funding concepts for consideration.

While we are new to the City as their contract risk management consultant, we have extensive experience in public entity risk management, including loss funding alternatives. We have done the following due diligence for the City:

- Evaluated the markets approached by Lockton to confirm possible insurers for the City (6 primary and 4 excess liability)
- Reviewed the risk transfer contract with MOPERM and compared to States, confirming a competitive program.
- Confirmed the State’s program includes verbiage whereby the insured (City) does not waive any of the statutory immunities for monetary limits of liability unless the statutory tort limitation is found by a court not to apply.
- Conducted a loss evaluation review and designed “what if” scenarios on the impact of higher deductible applications.
- Interviewed a Board member of States who is the Risk Manager of a municipality in Missouri to gain a direct understanding of how the program operates and the philosophy of having strong risk management practices within each member entity.
- Held a joint discussion with States underwriting and claims to gain better understanding of the process and flexibility provided the City regarding claims management.



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The annualized premium from MOPERM would be \$1,169,712 even with higher deductibles (\$50,000 for General Liability, E&O and \$100,000 for Law Enforcement and Auto). In addition, the annualized premium of \$179,837 for excess liability could also be eliminated.

The annualized premium from States would be \$598,704 which provides the City greater opportunities to utilize premium savings to fund claims under the new \$150,000 retention/deductible level.

Based on the information reviewed, it would be our recommendation to the City to consider accepting the proposed \$150,000 Self-Insured Retention program, with \$10,000,000 policy limit, as offered by States effective 4/1/2019. It must be clearly understood that future Self-Insured Retentions with States will increase \$50,000 each of the next two years (capping at \$250,000), but those annual premiums will typically also be reduced based on favorable claims experience. Negative claims experience above retention levels will have an impact on any risk transfer plan the City could consider for the future.

This would also trigger the pro-rata termination from MOPERM as well as the excess liability programs currently used to layer higher limits above the \$2,000,000 MOPERM primary program.

Such a move will create some additional responsibilities upon the City and our office for claims management, plus we continue to work on some of the minor ancillary insurance programs, i.e., cyber liability, drone liability and high value auto physical damage as well as possible claims administrative costs.

Best regards,

A handwritten signature in black ink that reads "Bob Charlesworth".

Bob Charlesworth, CPCU, ARM, ALCM, AIS
Vice President
BC/cs