

TOWN OF PALM BEACH

Information for Town Council Meeting on: September 13, 2018

To: Mayor and Town Council

Via: Kirk Blouin, Town Manager

Via: Danielle Olson, Director Human Resources

From: Karen Temme, ARM, Risk Manager

Re: Liability, Property, Workers' Compensation, Automobile & Ancillary Insurance
Coverages for FY2019 and Execution of an agreement for Disaster Recovery
Resolution No. 131-2018 – Insurance Program Renewal

Date: August 27, 2018

STAFF RECOMMENDATION

Staff recommends Town Council approve Resolution No. 131-2018 for the Town's 2018-2019 insurance program as outlined in this memorandum and authorize the Town Manager to execute the necessary documents and required payments prior to October 1, 2018. Based upon staff recommendations, the total fixed costs for the FY19, insurance renewals including premiums, claims management and agent fee are \$811,767 (approximately \$ 41,627 less than FY18).

GENERAL INFORMATION

The Town's risk insurance program is a hybrid program, as it includes insurance that is first dollar traditional coverage and coverages that are self-insured. Remaining partially self-insured provides the Town with input to decision-making for those lines of insurance that are self-insured. The current hybrid model employed by the Town provides maximum flexibility to adjust to market conditions and save money where possible.

Beyond traditional lines of coverage with established deductibles, the self-insurance program also uses an alternative risk financing method whereby an exposure to loss is retained by the Town under the self-insured retention (SIR). An SIR is the amount that the Town self-insures beneath the excess coverage. With an SIR, the insured has control over the claims management and loss control.

The Town has purchased excess insurance coverage above the SIR. The insurance premium savings over the traditional/first dollar program allows the Town to keep the premium dollars in

house in order to reserve funds to cover future potential losses. The required reserve fund amounts are calculated using actuarial models and claim information. In FY19, staff along with the various plan brokers, determined that elimination of the excess coverage on certain lines of coverage would reduce premiums and ample loss funds were budgeted in accordance with underwriter calculations to cover the potential exposure. These changes are reflected in the premium summary provided in Exhibit A, and additionally summarized in the FY19 Lines of Coverage Summary Exhibit B.

While these changes may expose the Town to a potential increase in claim expenses, savings may still be realized if the new deductible limits were met in FY19. Additional analysis is being conducted by staff and will be evaluated by the plan actuary in FY19, for consideration in the FY20 budget. This analysis may adjust deductibles and have actuarially determined reserves recommended to ensure ample loss funds are available to cover claims. The goal is to identify savings wherever possible, reduce premiums, and increase the self-funding portion of the Town's hybrid risk insurance program to a level that is mindful of claim trends and funding, but properly protects the Town.

FUNDING/FISCAL IMPACT

The Risk Fund and budget for FY19 has sufficient funding to cover the recommendations herein for Property, Liability, Workers' Compensation, Automobile physical damage and Ancillary coverages for the FY19, insurance renewal. The original FY19 budget submitted projected premium renewals totaling \$891,775. Recent renewals received came in lower than original projections, totaling \$848,449; however, in an effort to reduce premiums and provide further savings, staff is recommending modifications to the existing insurance coverage levels including adjustments to deductibles that would save \$80,008 from the proposed FY19 budget.

TOWN ATTORNEY REVIEW

The Town Attorney has reviewed and approved the Resolution and Non-Exclusive Insurance Agent Agreements for legal form and sufficiency for the FY19 renewal.

ATTACHMENTS

c: Department Directors
 Charles Kapachinski, IT Manager
 Dean Mealy, Purchasing Manager