



Legislation Text

File #: 08-0687, **Version:** 1

Resolution to Approve Excess Workers' Compensation Coverage and Third Party Administration Services Agreement through the Accident Fund Insurance Company of America (\$77,514.00)
The resolution before you is to approve excess workers' compensation coverage and third party administration services through the Accident Fund Insurance Company of America in the amount of \$77,514.00. Funding for this project is available in the FY 2009 approved budget for Financial Services in the Risk Fund.

The City was enrolled in the Michigan Municipal League (MML) guaranteed cost workers' compensation program prior to FY 2007 at an annual cost of approximately \$750,000. In FY 2007, we returned to a self-insurance model as we had done prior to contracting with the MML.

The costs of the self-insurance model are: 1) a loss forecast, 2) premium, and 3) third party administration services. The loss forecast used in calculating potential costs was \$413,000. Our actual losses through June 23, 2008 were \$36,000. Thus, our total costs to date in FY 2008 are \$113,000, which represents a cost savings near \$637,000 over our prior guaranteed cost plan, and \$49,000 over the previous year experience with self-insurance. Although we will continue to incur costs associated with claims in FY 2008, the savings are significant.

Accident Fund Insurance Company of America had the only proposal deemed appropriate to meet the City's needs. Bids for specific and aggregate, and specific only coverage at the \$350,000 self-insured retention level were sought for FY 2009. This resolution approves a renewal of our existing policy and third party administration services at an decrease of 8.50% over FY 2008. This type of coverage will cap our exposure to \$350,000 per occurrence with an aggregate maximum of \$1,536,238. Accident Fund provided a two-year option which doubled our aggregate maximum. Therefore, it is our recommendation that the one-year option be accepted. Accident Fund received Human Rights approval on July 2, 2008 and complies with the provisions of the Living Wage ordinance.

Passage of this resolution is recommended.

Prepared by: Matthew Horning, Treasurer

Reviewed by: Carol Schuler, HR and Labor Relations Director

Whereas, The City must secure adequate insurance for potential workers' compensation claims;

Whereas, Self-insurance with a policy for excess claims has generated cost savings near \$637,000.00 in Fiscal Year 2008 over our former guaranteed cost plan;

Whereas, City Council approved Arthur J. Gallagher Risk Management Services, Inc. to provide risk related advice and service and they have as our agent solicited renewal quotes;

Whereas, Accident Fund Insurance Company of America provided an acceptable proposal for

services at a reasonable cost; and

Whereas, Accident Fund received Human Rights approval on July 2, 2008, and its employees will receive compensation in accordance with the Living Wage Ordinance;

RESOLVED, That City Council approve an excess workers' compensation policy and related third party administrator services agreement with the Accident Fund Insurance Company of America in the amount of \$70,467.00 in Fiscal Year 2009;

RESOLVED, That City Council approve a 10% contingency (\$7,047.00) for policy and administrative services change orders during in Fiscal Year 2009, if required;

RESOLVED, That the City Administrator, or his designee, be authorized to bind such coverage for Fiscal Year 2009 and take all necessary administrative actions to implement this resolution including the authority to approve change orders within the approved contingency; and

RESOLVED, That the Mayor and City Clerk be authorized and directed to execute the agreement after approval as to substance by the City Administrator and approval as to form by the City Attorney.