



City of Grand Island

Tuesday, January 04, 2011

Study Session

Item -2

**Discussion Concerning Financial Guarantee Bond Related to
Worker's Compensation Insurance**

Staff Contact: Mary Lou Brown

Council Agenda Memo

From: Mary Lou Brown, Finance Director

Meeting: January 4, 2011

Subject: Financial Guarantee Bond Related to Worker's Compensation Insurance

Item #'s: 2

Presenter(s): Mary Lou Brown, Finance Director

Background

A payment in the amount of \$16,500.00 to Ryder Rosacker McCue and Huston for a financial guarantee bond annual premium was included in a past Schedule of Bills. The payment was related to the City's worker's comp coverage.

The insurance company requires that security or collateral be provided for payments that extend for long periods of time. This provides the company assurance that they will be reimbursed. In private industry, this coverage would be provided through a letter of credit. As a municipality, the City does not have access to a letter of credit but provides the same assurance through the bond. An alternative method of addressing this perhaps would be the use of an escrow account where the City would put aside the funds. The \$730,000 limit is based on the total dollars of outstanding claims.