

City of Scottsbluff, Nebraska

Tuesday, September 3, 2013

Regular Meeting

Item Resolut.5

Council to consider a Resolution extending the date for written notice of termination in participation in the League Association of Risk Management (LARM) and consider the contribution credits for multi-year commitments.

Staff Contact: Rick Kuckkahn, City Manager

**League Association of Risk Management
2013-2014 Renewal Resolution**

RESOLUTION NO. _____

WHEREAS, The _____ is a member of the League Association of Risk Management (LARM);

WHEREAS, section 7.3 of the Interlocal Agreement for the Establishment and Operation of the League Association of Risk Management provides that a member may voluntarily terminate its participation in LARM by written notice of termination given to LARM and the Nebraska Director of Insurance at least 90 days prior to the desired termination given to and that members may agree to extend the required termination notice beyond 90 days in order to realize reduced excess coverage costs, stability of contribution rates and efficiency in operation of LARM; and

WHEREAS, the Board of Directors of LARM has adopted a plan to provide contribution credits in consideration of certain agreements by members of LARM as provided in the attached letter.

BE IT RESOLVED that the governing body of The _____, Nebraska, in consideration of the contribution credits provided under the LARM Board's plan, agrees to:

- Provide written notice of termination at least 180 days prior to the desired termination date, which date shall be no sooner than September 30, 2016 (**180 day and 3 year commitment; 5% discount**)
- Provide written notice of termination at least 180 days prior to the desired termination date, which date shall be no sooner than September 30, 2015. (**180 day and 2 year commitment; 4% discount**)
- Provide written notice of termination at least 180 days prior to the desired termination date, which date shall be no sooner than September 30, 2014. (**180 day notice only; 2% discount**)
- Provide written notice of termination at least 90 days prior to the desired termination date, which date shall be no sooner than September 30, 2016. (**90 day notice and 3 year commitment only; 2% discount**)
- Provide written notice of termination at least 90 days prior to the desired termination date, which date shall be no sooner than September 30, 2015. (**2 year commitment only; 1%**)
- Provide written notice of termination at least 90 days prior to the desired termination date, which date shall be no sooner than September 30, 2014. (**90 day Notice only**)

Adopted this ____ day of _____, 2013

Signature: _____

Title: _____

ATTEST: _____

Title: _____

Please email (customerservice@LARMpool.org) or fax (402.476.4089) the completed resolution to LARM.



August 26, 2013

City of Scottsbluff
Cindy Dickinson
2525 Circle Drive
Scottsbluff, NE 69361-2495

Dear Cindy:

This letter responds to your request for further explanation of the 2013-14 rates for Scottsbluff. The renewal figures are the gross amount (i.e. no resolution credit) for the 2012-13 pool year against the 2013-14 pool year renewal quote. Accordingly, the amounts we have on file represent the following:

- Year-Over-Year Exposures Changes (approximate):
 - TIV + 2%
 - Vehicles insignificant
 - E&O added 23 seasonal employees and one Licensed Professional
 - LEL insignificant changes
 - NOE + 4%
 - Estimated Payroll + 5%
 - WC Exp. Mod. .81
 - 3-Year Loss Ratio 73% (with ~\$1.007M losses; the largest in Property, GL and Errors & Omissions)

- New Contributions:
 - Largest cost contributor is the election of the newly made available RC coverage for fire and emergency vehicles accounting for \$30K to the members annual APD.

- Year-over-Year additional contribution analysis:
 - Gross to Gross \$114,991 (or 23%)
 - Gross to Gross (no RC for fire and emer.) \$83,592 (or 17%)

Insurance Market:

- Commercial insurance rates continue to firm across many lines of business and industry sectors; public entities included.
- The insurance market continues to focus on fundamentals in 2013 through such measures as pricing adequacy, underwriting discipline, capital planning, and preparing for catastrophe events.

Intergovernmental Pools:

- The above insurance market conditions and profitability approach is mirrored in pooling operations as they look to remain a long-term solution by providing a stable and effective alternative to purchasing commercial insurance individually.

Sponsored and Administered by the League of Nebraska Municipalities

BOARD OF DIRECTORS: Doug Hanson, *Chair*, City of Hickman | Dave Boeckner, City of Scottsbluff | Lane Danielzuk, City of Gering
Randy Gates, City of Norfolk | James Glover, City of Papillion | Melissa Harrell, City of Wahoo | Jim Hawks, City of North Platte
Jim Keegan, Village of Hemingford | Darrold Lidget, SID #1, Stanton County | Joe Mangiamelli, City of Columbus |

Kimberly Neiman, Village of Pilger | Jan Rise, City of Fremont | Gerald Solko, City of St. Paul | Jerry Wilcox, City of Crete

EX-OFFICIO BOARD MEMBERS: Chris Beutler, *LNM President*, Mayor of Lincoln | L. Lynn Rex, *LNM Executive Director*

STAFF: Michael Nolan, *LARM Executive Director* | William Harding, *Counsel, Harding & Shultz PC, LLO* | Tracy Juranek, *LARM Executive Assistant*

LARM:

- LARM must maintain its sound surplus position to continue to provide its membership with long-term benefits.
- LARM's cost have increased as a result of reinsurance and increased retentions within its reinsurance placements.
- In June of 2013, LARM's Board of Directors approved funding target increases for the 2013-2014 Pool Year.
- LARM has extended its members broader terms and conditions over expiring coverages (Replacement Cost Valuation for fire and emergency vehicles, Crime, Herbicide/Pesticide, etc.).
- Loss Ratio has increased from 23% in 2010 to 52% in 2012.
- Reinsurance costs as a percentage of contributions were 19% in 2010; this measure has increased to 27% in 2012.
- Investment income is down 52%.

As always, feel free to contact me at 402-742-2604 with any questions.

Sincerely,

LEAGUE ASSOCIATION OF RISK MANAGEMENT

Laura Paulsen
Customer Service Specialist



Proposal For : City of Scottsbluff
 Effective Date: 10/01/2013

COVERAGE	LIMITS AND APPLICABLE DEDUCTIBLES	CONTRIBUTION
Workers' Compensation	Statutory Limits \$500,000 Employers Liability	\$241,176
General Liability	\$5,000,000/\$5,000,000 Per Occurrence/Aggregate \$0 Deductible	\$84,196
Errors & Omissions	\$5,000,000/\$5,000,000 Per Occurrence/Aggregate \$2,500 Deductible	\$15,801
Law Enforcement Liability	\$5,000,000/\$5,000,000 Per Occurrence/Aggregate \$2,500 Deductible	\$21,104
Auto Liability	\$5,000,000 Combined Single Limit \$0 Deductible	\$19,411
Auto Physical Damage	108 Vehicle(s) \$ Varies on Deductible	\$110,479
Commercial Property	\$46,294,127 \$1,000 Deductible	\$115,500
TOTAL ANNUAL CONTRIBUTION:		\$607,666

Contribution Credit Options

	180 Day Notice, 3 Year Commitment	180 Day Notice, 2 Year Commitment	180 Day Notice Only	90 Day Notice, 3 Year Commitment	90 Day Notice, 2 Year Commitment	90 Day Notice Only
Commitment Discount :	5%	4%	2%	2%	1%	0%
Property & Liability :	\$348,165.84	\$351,830.75	\$359,160.56	\$359,160.56	\$362,825.46	\$366,490.36
Workers' Compensation :	\$229,116.78	\$231,528.54	\$236,352.05	\$236,352.05	\$238,763.80	\$241,175.56
Total Contributions :	\$577,282.63	\$583,359.29	\$595,512.60	\$595,512.60	\$601,589.26	\$607,665.92