

Memo

To: Dave Plyman, City Manager
From: Lynette D. Fischer, HR/Risk Manager
Date: November 28, 2011 Council Meeting
Re: IMLRMA Min/Max Contribution Rates for 2011-12

I have received the quotes from IMLRMA for the City's 2011-12 property/casualty insurance renewal. After reviewing the specifics of our renewal quote with Julia Reynolds of IMLRMA, I believe that it is in the City's best interests to continue its participation in the Min/Max program with a premium cost of \$464,819. This year there is an additional fee of ½% to pay the amount in two (2) separate installments, which results in a total cost of \$467,143.10. .

Attached please find a comparison between 2010-11 and 2011-12 for the overall contribution breakdown and the values upon which the contributions are based. The 2011-12 premium is an increase of 4.84% (or 5.36% with the installment fee) over the premium paid for Min/Max program coverage in 2010-11, which was \$ 443,378. Almost half of the total dollar increase (ie: \$9,093 of \$21,441) is driven by the continuing rise in Worker's Compensation coverage costs. This isn't a Rochelle-specific issue but rather a statewide issue tied to employer-unfriendly statutes, and a national issue tied to the rapidly rising cost of medical care itself

It is important to note that we did not have to "pay in" additional contributions this year, which indicates that we are proactively addressing safety/damage concerns at the local level and thus continuing to contain our overall costs, just as the program is designed to support. It is also worth noting that the City has never "paid in" for additional claims cost above the Min/Max yearly contribution rate since it began said participation.

The IMLRMA billing contains the ability to pay half by Dec.16, 2011 and the remaining half by May 18, 2012. I have discussed this with Finance Manager Chris Frye, and recommend that the City take advantage of the 2-payment option and process the second payment in early April, before the close of the 2011-12 Fiscal Year.

The alternative is to opt out of the Min/Max program and convert to a "traditional" renewal with a cost of \$520,660 (which amounts to \$523,263.30 with the ½% fee included). As Business Development Manager Scott Rozanas and I have made you aware, the City's rail operations will no longer be covered by IMLRMA with this renewal. We have been actively soliciting rail-specific coverage quotes and anticipate bringing those to you for direction in the very near future.

Should you have any other questions, please don't hesitate to contact me at ext. 2054.

Comparison of 2012 to 2011 Contribution Breakdown and Values

	<u>WC</u>	<u>AL/CGL</u>	<u>IM</u>	<u>APD</u>	<u>Prop</u>	<u>Total</u>
2012 Premium Breakdown	\$219,931	\$164,044	\$2,468	\$8,828	\$69,548	\$464,819
2011 Premium Breakdown	\$210,838	\$153,457	\$2,068	\$8,090	\$68,925	\$443,378
% change from 2011 to 2012	4.31%	6.90%	19.34%	9.12%	0.90%	4.84%

5.36%

	<u>Payroll</u>	<u>Manual Prem</u>	<u>IM Values</u>	<u>APD Values</u>	<u>Prop Values</u>	<u>Total</u>
2012 Breakdown	\$7,162,245	\$359,409	\$2,564,725	\$2,874,165	\$65,804,753	\$78,765,297
2011 Breakdown	\$7,182,255	\$357,142	\$2,564,725	\$2,847,285	\$65,804,753	\$78,756,160
% change from 2011 to 2012	-0.28%	0.63%	0.00%	0.94%	0.00%	0.01%

*** Please note that the "true billed % increase" noted in the blue box (4.84%) does not match the "actually paid % increase" I have calculated to be 5.36% (in yellow). The reason for this is because last year's (2011) premium breakdown comes from the "true dollars billed and paid" for Min/Max participation this past year.

This year, a 1/2% fee (\$2,324.10) is charged for paying in 2 installments, which results in the "actually paid % increase" exceeding the "true billed % increase."