

# Memo

**To:** Ken Alberts, City Manager  
**From:** Lynette D. Fischer, HR/Risk Manager  
**Date:** December 13, 2010 Council Meeting  
**Re:** IMLRMA Min/Max Contribution Rates for 2010-11

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I have received the quotes from IMLRMA for the City's 2010-11 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 \$443,378. This year there is no discount for early payment, as there has been in the past. (Please note that prior to the 2009-10 renewal years, a 2% discount was offered for early payment. That percentage was cut in half for last year's renewal, to 1%.)

Attached please find a comparison between 2009-10 and 2010-11 for the overall contribution breakdown and the values upon which the contributions are based. The 2010-11 premium is an increase of 13.83% over the discounted premium paid for Min/Max program coverage in 2009-10, which was \$ 389,495. We have had a more serious claims experience in the current plan year than in recent years past, which contributes to the moderate increase in our premium costs. 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.

The main driver of this increase is the increase we have experienced in the value of our properties and their contents. A re-valuation done earlier in the year has resulted in a \$6 million "gain" in insured value. This represents a 10% increase in property value alone and is the major component of the cost increase. Additionally, our payroll costs and "manual adjustment" percentages have increased over 4.0% this year – a function both of higher labor costs and the Worker's Compensation experience rates. The market continues to see increases anywhere from 10 to 20% annually, as it has in the past several years.

It is important to note that the IMLRMA did not offer renewal policies to approximately 20 municipalities this year. This is typically done only when the municipalities' claims are chronically severe and have negatively impacted the rest of the pool on an incongruous

level. 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. 20, 2010 and the remaining half by May 20, 2011. My recommendation is that the City takes advantage of the 2-payment option and processes the second payment in early April, before the close of the 2010-11 Fiscal Year.

The alternative is to opt out of the Min/Max program and convert to a “traditional” renewal with a cost of \$ 496,642.

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

## Comparison of 2011 to 2010 Contribution Breakdown and Values

	<u>WC</u>	<u>AL/CGL</u>	<u>IM</u>	<u>APD</u>	<u>Prop</u>	<u>Total</u>
2011 Premium Breakdown	\$210,838	\$153,457	\$2,068	\$8,090	\$68,925	\$443,378
2010 Premium Breakdown	\$189,282	\$143,715	\$1,592	\$6,774	\$52,066	\$393,429
% change from 2010 to 2011	11.39%	6.78%	29.90%	19.43%	32.38%	12.70%

13.83%

	<u>Payroll</u>	<u>Manual Prem</u>	<u>IM Values</u>	<u>APD Values</u>	<u>Prop Values</u>	<u>Total</u>
2011 Breakdown	\$7,182,255	\$357,142	\$2,564,725	\$2,847,285	\$65,804,753	\$78,756,160
2010 Breakdown	\$6,898,319	\$341,859	\$2,533,280	\$2,722,695	\$59,656,458	\$72,152,611
% change from 2009 to 2010	4.12%	4.47%	1.24%	4.58%	10.31%	9.15%

\*\*\* Please note that the "true billed increase" noted in the blue box (12.70%) does not match the "actually paid increase" I have calculated to be 13.83% (in yellow). The reason for this is because last year's (2010) premium breakdown comes from the "true dollars billed" for Min/Max participation this past year. The City took advantage of a 1.0% discount off the 2010 premium for early payment. However, the early payment discount was not offered this year. Thus, the 13.83% was calculated by using the 2010 discounted premium that was actually paid (\$389,495) in comparison to the "true billed/actual to pay," which are one and the same this year.