



City of Homer

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Memorandum 18-140

TO: Mayor Castner and Homer City Council
FROM: Katie Koester, City Manager
DATE: December 5, 2018
SUBJECT: Property and Liability Insurance Coverage

Insurance coverage with Alaska Municipal League Joint Insurance Association (AMLJIA) expires the end of June 2019. If the City intends to solicit bids from other providers, we would need to give them 6 months advance notice per our contact with AMLJIA. In 2016 the City solicited bids from the only other municipal insurer in Alaska, Alaska Public Entity Insurance (APEI), in addition to AMLJIA. Both organizations operate in a similar manner: they are not-for-profit insurance membership organizations that insure public entities and operate under Alaska Statutes 21.76. For fiscal year 2016 (July 2016 through June 2017), AMLJIA was able to offer the City significant savings when compared to prior year costs. Our current contract with AMJIA guarantees no more than a 10% annual rate increase. Actuals are listed below and exclude marina insurance, which we contract for separately.

Liability insurance costs (actuals)

Year	Amount	% increase over prior year
2016-2017	\$418,680	-31.85%
2017-2018	\$419,121	0.11%
2018-2019	\$444,327	6.01%

ALMJIA has offered the City an additional guarantee, beyond the customary, not to exceed 10% if we sign another three year contract with them as an incentive to not give notice. The amounts listed below are for comparisons sake only; they will vary based on changes to coverage such as adding a police station, removing a vehicle, changes in wage base, etc.

Liability insurance costs (assumes proposed ALMJIA continuation offer)

Year	Amount	Max % increase over prior year
2019-2020	\$420,480	-5.37%
2020-2021	\$444,380	5.68%
2021-2022	\$444,380	0%

When weighing whether or not to switch insurance carriers, council needs to consider the cost, specifics of the coverage, and the relationship with the provider.

There are differences in coverage between ALMJIA and APEI, which would need to be taken into consideration given any switch. For example, in the last round AMJIA was able to offer better coverage including higher limits for uninsured motorist and property, full replacement value for all property damage, lower deductible for police protection, and also offers pollution liability. It is worth noting that the City of Homer has an excellent track record with AMLJIA and has always found them to be helpful and responsive.

What does the City do to control costs?

The process has brought up questions by councilmembers regarding what the City of Homer does to control insurance costs. Annually we review rolling stock and property insurance coverage to make sure we are both covering at the appropriate rate and not covering infrastructure that should be removed from the inventory. For example, in the past we have removed property damage coverage from many of the older light duty vehicles, increased the deductible for certain properties, and decreased the maximum coverage for our Port and Harbor facilities.

Councilmembers have asked for specific information on what the City of Homer proactively does to reduce workmen's compensation claims. Current safety practices include:

- 2016 COH Safety Policy; Injury and Illness Prevention Program and Code of Safe Practices: given to each employee upon hire to read and sign
- When employees are hired, they are required to complete a series of online courses that cover everything from Slips, Trips, and Falls to Sexual Harassment.
- Supervisors educate their employees on the importance of personal protection equipment (PPE), and they walk seasonal hires through what PPE gear is required for what job.
- AMLJIA Loss Control Incentive Program: each employee in Finance, Planning, IT, Clerks, Library, Public Works, Water Treatment, Port and Harbor, and Fire needs to sign off on five basic safety trainings including Ergonomics Safety Plan Review, Back Injury Prevention & Safe Lifting Employee Safety Plan Review, Slip, Trip, and Fall Employee Safety Plan Review, Personal Protective Equipment Employee Safety Plan Review, Early Return to Work Administrative Policy (Administration & Managers)
- Homer Police Department: engages in multiple trainings specific to their job that emphasize not only job readiness but safety
- After any incident, the supervisor is required to document what measures, if applicable, will be taken to avoid this type of accident in the future. Human Resources goes over these instructions to make sure they are specific enough and followed up with specific staff education. Measures are taken to repair any hazards on city property.

In conclusion

AMLJIA has offered the city an exceptional renewal rate guarantee. If we choose to issue a notice to withdraw and solicit bids, there is no guarantee they would be able to offer us the same rate. On the flip side, by soliciting bids we can make sure the City of Homer is paying market rate for insurance services. The resolution included in your packet provides notice to AMLJIA of the City of Homer's intent to solicit bids. If the council chooses to stay with AMLJIA, you would vote this resolution down and I would bring you a resolution awarding a three year contract before our current contract expires June 30, 2019.