



CITY COMMISSION AGENDA REQUEST



DATE May 18, 1995

SUBJECT Self-Insurance Policy

AMOUNT _____

SOURCE _____

OMB _____

- Bid/Contract/Lease
- Change Order
- Budget Transfer/Supple. Appropriation
- Status Report
- Policy/Discussion
- Other
(Specify): _____

REQUEST ACTION ON: June 21, 1995

ISSUE SUMMARY

Risk Management is a very dynamic field so that it is often necessary to address new areas and re-evaluate current areas of exposure by providing needed coverage, or revising existing or establishing new policies and/or procedures. The purpose of this agenda item is to seek authority to expand the role of the Risk Management Office to provide coverage for certain "new exposures" and exposures not currently addressed in any formal policy.

HISTORY

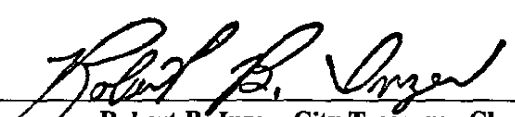
The City of Tallahassee operates a self-funded insurance program which is administered by the Asset/Liability Management Division of the City Treasurer-Clerk's Office. In addition, the City commercially insures some of its other exposures, typically those types of losses that can be large and catastrophic in nature. When the current self-insurance program was set up in 1986, the Risk Management Office was established to provide coverage through a self-insurance fund for all claims against the City which arise from automobile and general liability incidents, public officials liability, professional liability, law enforcement liability, and workers' compensation. From time to time it may be in the City's best interest to commercially insure or otherwise treat (apply various insurance techniques) one or more of these exposures or to add other exposures as identified to either the self-insurance or the commercial insurance program as deemed appropriate. These commercial insurance coverages typically have various deductibles associated with them. The Risk Management Office, through the use of an internal service fund, budgets for the costs associated with both the self-insurance and commercial insurance program on an annual basis. Since the City has direct control over the self-insurance program, the costs associated with it are somewhat

RECOMMENDED ACTION:

Approve Option 1.



 Linda Smith, Asset/Liability Management Administrator



 Robert B. Inzer, City Treasurer-Clerk

more predictable than those associated with the commercial insurance program.

FACTS AND ISSUES

The City's Self-Insurance Policy currently excludes coverage for crime; faithful performance bonds; direct and indirect property damage to City buildings, facilities and other personal property; and claims for the exercise of eminent domain and inverse condemnation. Commercial insurance is procured for most of these exposures. Since the inception of this Policy, new exposures have been identified and/or have begun to have an increasing financial impact on the City. These exposures include employment-related claims (i.e. discrimination claims - hiring, firing, promotions, etc.), Americans with Disabilities Act (ADA) claims, as well as the eminent domain and inverse condemnation claims, for which the Risk Management Office has not historically provided coverage (eminent domain and inverse condemnation claims are excluded from the Program by the current policy). In addition to the direct costs of the claims themselves, indirect costs such as legal fees can often be substantial. Currently, there is no designated funding source to handle these claims and their associated expenses. In response to these claims and related issues and to provide a more structured, comprehensive policy, we propose to modify the existing Self-Insurance Policy to provide coverage for these claims and the costs associated with them, including the legal fees incurred when outside counsel is utilized.

We would further propose to modify the policy to allow the Risk Management Office under the direction of the Treasurer-Clerk to have the option to commercially insure any of these exposures when it is deemed to be appropriate and in the City's best interest.

FISCAL IMPACT

This policy should provide relief to certain City Departments, particularly the City Attorney's Office. However, this policy revision will have a very definite, and potentially significant, financial impact on the budget of the Risk Management Office. Risk Management will now be providing coverage for these claims and associated expenses that historically have been funded from other sources. The City Attorney's Office has been requested to provide loss history information as well as projected costs for FY '96 as support for modification of the Risk Management budget to accommodate these "new" claims. Because of uncertainty as to both the frequency and financial impact associated with these new exposures, requests for additional funding could become necessary during FY '96.

OPTIONS

- 1) Approve policy modification as described and recommended by Staff.
- 2) Direct staff to modify the policy as directed by the Commission.
- 3) Do not approve the recommended policy modification and continue with current policy and practice.

RECOMMENDATIONS

Approve Option 1.

ATTACHMENTS