

City of Fort Worth, Texas

Mayor and Council Communication

DATE: 05/05/20 M&C FILE NUMBER: M&C 20-0279

LOG NAME: 14EXCESSINSURANCE

SUBJECT

Ratify Previous Authority and Authorize Payment of Additional Premiums for the Purchase of an Excess Workers' Compensation Insurance Policy from Safety National Casualty Corporation Through Roach Howard Smith & Barton, Inc., in the Amount of \$878,834.00 (ALL COUNCIL DISTRICTS)

RECOMMENDATION:

It is recommended that the City Council:

1. Ratify authority for payment of an additional premium cost for the purchase of an Excess Workers' Compensation Insurance Policy from Safety National Casualty Corporation through Roach Howard Smith & Barton, Inc., in the amount of \$255,999.00;
2. Ratify authority for payment of audit premiums for the Excess Workers' Compensation Insurance Policy from Safety National Casualty Corporation through Roach Howard Smith & Barton, Inc., in the amount of \$622,835.00; and
3. Authorize payment of anticipated audits for Policy Years 2019 and 2020 for the Excess Workers' Compensation Insurance Policy from Safety National Casualty Corporation through Roach Howard Smith & Barton, Inc., in the amount of \$200,000.00.

DISCUSSION:

On December 12, 2017, the City Council authorized the purchase of an Excess Workers' Compensation Insurance Policy (Policy) for the policy period January 1, 2018 through December 31, 2020 (M&C G-19182) The Policy was underwritten by Safety National Casualty Corporation (Safety National) The Policy provides statutory coverage for workers' compensation, but with self-insured retention amounts of \$1,500,000.00 per occurrence for general employees and \$2,250,000.00 for police officers and fire fighters.

The M&C requested authority based on a flat premium in the amount of \$1,248,548.00 for three years coverage. Premiums for excess workers' compensation insurance coverage are actually based upon estimates of payroll provided by the City to the excess insurer prior to the beginning of the policy period.

Premiums for policy years 2018, 2019 and 2020 have come in at a total of \$1,504,547.00, exceeding the previously authorized flat premium projection, of \$1,248,548.00, by the amount of \$255,999.000. At this time we are requesting additional authority in the amount of \$255,999.00 for the cost associated with premiums for policy years 2018, 2019 and 2020.

Policy Year	Previously Authorized Flat Premium	Policy Year Premium Cost
2018	\$416,182.00	\$462,425.00
2019	\$416,182.00	\$446,315.00
2020	\$416,182.00	\$595,807.00
	\$1,248,548.00	\$1,504,547.00

At the conclusion of the policy period, excess insurers routinely conduct a Premium Audit to determine if the premiums collected are sufficient to cover the City's exposure based on actual payroll expenditures at the conclusion of the policy period.

Safety National has conducted a premium/payroll audit of the City's actual payroll expenditures for calendar year 2018 (policy period) and has determined that the initial deposit premium paid by the City is not sufficient to cover the City's final premium based on actual 2018 payroll expenditures.

Accordingly, Safety National has informed the City that an additional premium in the amount of \$124,196.00 is due and payable in accordance with the terms of the policy.

Additionally, Safety National has informed the City that premium/payroll audits for 2016 and 2017 determined that the initial deposit premiums paid by the City were not sufficient based on payroll expenditures. The audits have identified an additional premium of \$131,353.00 for FY2016 and \$167,286.00 for FY2017.

Policy years 2016 and 2017 were underwritten by Safety National, and the City's contract broker of record for excess workers' compensation insurance was McGriff, Seibels & Williams of Texas, Inc. (M&C G-18678)

At this time we are requesting authority for premium audits for policy years 2016, 2017 and 2018 for which audits have been completed (\$422,835.00). Additionally we anticipate premium audits cost for policy years 2019 and 2020 (\$200,000.00) The combined total for premium audits associated with policy years 2016 through 2020 is \$622,835.00.

Broker of Record	Policy Year	Audit Premiums Cost
McGriff, Seibels & Williams of Texas, Inc.	2016	\$131,353.00
	2017	\$167,286.00
Roach Howard Smith & Barton, Inc.	2018	\$124,196.00
	2019	\$170,000.00
	2020	\$30,000.00
TOTAL		\$622,835.00

Payroll data provided to the vendor for premium calculations has been revisited and additional check and balances have been put in place. Going forward the cost for premiums audits is anticipated to be much lower, as payroll data provided for initial premium calculation will be in with actual payroll cost.

The payroll data provided to the vendor for policy year 2020 reflects these changes, the initial premium cost has increased and the anticipated premium audit has decreased from prior years.

The placement and purchase of Excess Workers' Compensation Insurance by the City is a service provided to the City under a Professional Services Agreement with insurance broker Roach Howard Smith & Barton, Inc. (City Secretary Contract No. 49885)

A Form 1295 is not required because: This M&C does not request approval of a contract with a business entity.

FISCAL INFORMATION / CERTIFICATION:

The Director of Finance certifies that funds are available in the current operating budget, as previously appropriated in the Risk Management Fund to support the approval of the above recommendations to ratify the authority and authorize payment. Prior to any expenditure being incurred, the Human Resources Department has the responsibility to validate the availability of funds.

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