



Council Communication No. 97-297

SYNOPSIS –

The City currently carries significant self-insured retentions (SIRs) for liability, workers compensation and property insurance coverages. Each has an excess insurance policy that covers claims that may exceed the SIR. In a true self-insured environment, the SIRs would be backed by reserve funds available to pay claims that do not exceed the SIR. The City currently has no reserve funds, but backs any potential claims with its ability to levy taxes. The Finance Department is seeking a professional services contract for an actuarial study which will assist the City in determining what its reserve fund levels ought to be.

FISCAL IMPACT –

The Risk Management Office’ s Operating Budget for FY1996-97 and 1997-98 has approximately \$10,900 budgeted each year for consulting services. All of the consulting services budget remaining for FY1996-97 and a portion of that for FY1997-98 will probably be required to cover the cost of an actuarial study.

RECOMMENDATION –

Receive and file Finance Department communication regarding the issuance of an RFP for a professional actuarial services contract, which may come to Council on June 23, 1997 for approval.

BACKGROUND –

The City’ Self-insured Liability Program consists of a \$3,000,000 self-insured retention for liability claims with a \$15,000,000 Special Excess Liability Policy. Similarly, the City’ s Self-insured Worker's Compensation Insurance Program consists of a \$450,000 self-insured retention with an Excess Workers Compensation Policy which pays the State of Iowa statutory limits which exceed the self-insured retention. In addition, the City has a Property Insurance Program which carries a \$100,000 self-insured retention per occurrence. In order to ensure financial predictability and to structure a self-insurance program which best meets the City’ s need to protect its financial assets, the City needs to determine at what level it should establish reserves to support the self-insured retentions currently carried by the City. Currently, the City’ s self-insured retentions are backed by the City’ s ability to levy taxes each year to meet its financial obligations. However, one or two major claims in any fiscal year could have a significant impact on the City’ s tax levy. Therefore, it is necessary to establish what the reserve fund levels ought to be and devise a long-term plan for budgeting funds to meet the needed reserves.

As a first step. the Finance Department has prepared an RFP for professional actuarial services

and mailed it to six potential service providers. Three of these represent the local offices of “ Big Six” accounting firms, and three represent national firms which specialize in performing actuarial studies. If the City receives a suitable response and the price is within the Finance Department’ s budget capacity to absorb, it is anticipated that a contract may come to Council for approval as early as June 23, 1997.

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