



CITY OF WASILLA

290 E. HERNING AVE.

WASILLA, ALASKA 99654-7091

PHONE: (907) 373-9050

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INFORMATION MEMORANDUM NO. 97-07

From: Erling P. Nelson
Date: January 22, 1997
Subject: Managing Exposures

History:

For the last five years the City of Wasilla has been participating in the Alaska Municipal League Joint Insurance Association, Inc. to manage our exposures. The JIA is essentially a co-op of municipalities and school districts who have pooled their risks to assure that they would have insurance on a consistent basis. The JIA is organized so that after ten consecutive years of participation you are eligible for dividends if the operating goals are met. The JIA has decided, because of favorable operating results, to declare dividends two years early for those participants who signed up in FY90. If the same scenario were to hold true for the City of Wasilla, after three more years of participation we would be eligible for dividends. Initially we signed up for a three year period. When this period was over we were able to choose on a year to year basis whether to continue. For FY93-FY95, FY96 and FY97 our insurance Broker, Combs Insurance of Palmer solicited quotations from the private markets and presented them to the city council. Our Broker has yet to recommend the JIA as the preferred alternative to the private market whether the cost was more or less. The whole process ended up in a contentious debate between the JIA and Mike Combs before the council.

Since Risk Management is mentioned in my job description, I feel I should make some attempt at establishing a new procedure. In my opinion the council needs to make the decision whether or not to continue with the JIA, but on an ongoing basis. This will eliminate the need to make this decision on an annual basis. If yes then we probably do not need an insurance broker per se but there are needs for professional insurance advice that are explained in proposed Council Policy 97-xx. The most important reason to have professional advice is that the city should not rely completely on an insurance provider to determine the level of insurance coverage being provided, but instead should determine its own needs and level of coverage.

If the council decides that the lowest dollar amount is most important and assumes that the JIA will always be an alternate resource and directs that we seek competitive quotations, then we need to do two things. First of all we would need an insurance broker to explore the private markets. Secondly, we would need to level the playing field between "claims made" and "occurrence" type policies. If "claims made" policies are quoted, they should have included in the price two years of "tail" coverage. Thirdly, if we seek competitive quotations we should be prepared to accept the low quotation. At the very least it is unfair to ask private companies to quote their best price and then not accept when offered. Council Policy 97-yy or 97-zz would be the policy to adopt in this case. I have attached a copy of the insurance broker duties from the current contract that expires 6//30/97. Comb's Insurance has been our broker since 1975.



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COUNCIL POLICY NO. 97-xx

MANAGING EXPOSURES (INSURANCE)

In order to manage our exposure to identified risks, it is the policy of the City of Wasilla to participate in the Alaska Municipal League Joint Insurance Association, Inc., hereinafter referred to as JIA, including the Police Liability Pool, on a continuing basis. The JIA is hereby appointed broker of record to secure coverage not offered by the JIA, but required by the city for FY98 and future years.

The Mayor is authorized to engage the services of an Insurance Professional to facilitate management's responsibility to carry out items A-D, Section 1. of Council Policy No. 95-05.

This professional shall also:

1. Prepare and submit special reports, as requested including the annual update of the exposure questionnaire.
2. Review certain contracts, leases and agreements for insurance requirements, assumption of liability and other risk management issues as requested.
3. When requested, provide premium estimates for budgeting purposes.
4. Attend meetings with the Finance director, City Attorney, Administration, Council, or others as requested.
5. Analyze the JIA program for conformity to the national standards for insurance pools.
6. Analyze the JIA program and report to the city on the overall adequacy in meeting the interests of the city in covering our exposures.

*approved as
CP. No. 97-03*



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COUNCIL POLICY NO. 97-yy

MANAGING EXPOSURES (INSURANCE)

In order to manage our exposure to identified risks, it is the policy of the City of Wasilla to seek quotations, through a broker selected by the city, from private insurance markets and the Alaska Municipal League Joint Insurance Association, Inc.

To insure that there is an even playing field, any quotes made on a claims made basis shall include the cost of at least two years tail coverage generally and longer tail coverage for specific occurrences identified by the broker.

It is the policy of the city to award our insurance business to the market with the lowest responsible quote.

Primary duties of the broker are set forth in attachment "A" and would be included in a contract setting forth all other parameters.



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COUNCIL POLICY NO. 97-zz

MANAGING EXPOSURES (INSURANCE)

In order to manage our exposure to identified risks, it is the policy of the City of Wasilla to seek quotations, through a broker selected by the city, from private insurance markets and the Alaska Municipal League Joint Insurance Association, Inc.

When the City solicits insurance premium/coverage quotations from insurers or other providers, it will be the stated policy of the City to evaluate award of insurance contracts on the basis of the best interests of the City, which shall include, but is not limited to:

- 1) The comparative quality of the coverage's being offered;
- 2) The comparative coverage over time, including evaluation of the difference between the coverage of a "claims made" policy as opposed to the coverage offered by an "occurrence basis" policy. For this purpose, it will be anticipated that quotations of "claims made" policies will be expected to include information about the anticipated costs of purchasing "tail" coverage;
- 3) The advantages that may be obtained by long term support of a particular insurance program, despite the fact that the premium costs may be somewhat higher from that particular insurance provider in a given year'
- 4) The advantages that may be obtained by long term equity, from dividends or otherwise, by long term support of a particular insurance program;
- 5) The advantages that may be obtained by the support services offered by a particular insurance provider'
- 6) The comparative premium costs.

Primary duties of the broker are set forth in attachment "A" and would be included in a contract setting forth all other parameters.

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The responsibilities of the selected firm shall include but not be limited to the following:

1. Review with the City exposures to accidental loss and existing or proposed insurance coverage at least ninety (90) days prior to each renewal.
2. Provide recommendations to enhance the risk management and insurance program based on this review;
3. On the basis of instructions from the City, solicit bids for required insurance and submit bids to the City at least thirty (30) days prior to expiration, specifying markets contacted, price, comparative analysis and recommendation;
4. Provide annual adjustment of City property values;
5. Submit to the City an Annual Report including the following:

Schedule of all insurance in force, showing company and expiration dates.

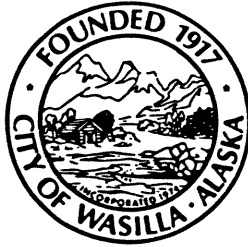
Full accounting of fees and/or other compensation earned for services performed and actual time incurred on the account for the past year;

Recommend philosophy on risk retention for various policies, based on market conditions;
6. Send notice of claims and/or losses to underwriters, with copy to the Finance Director;
7. Prepare insurance certificates and endorsements requested by the City;
8. Obtain answers from underwriters to policy coverage questions as requested;
9. Prepare and submit special reports, as requested;
10. Review certain contracts, leases and agreements for insurance requirements, assumption of liability and other risk management issues as requested;
11. Receive and process with appropriate carrier all first party claims.

12. Follow-up for timely issuance of all policies and endorsements and submit originals to the Finance Director;
13. Where market conditions allow, all premiums will be paid upon receipt of original policies and required endorsements;
14. When requested, provide premium estimates for budgeting purposes;
15. Attend meetings with the Finance Director, Administration, Council, or others as requested;
16. Provide policy loss runs at the close of each year and for one year thereafter.

I. Minimum Insurance Requirements

The successful proposer will be required to furnish Certificate of Insurance evidencing Alaska Worker's Compensation and Public Liability Insurance covering both general and professional negligence in an amount not less than \$1,000,000.00.



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COUNCIL POLICY NO. 95-05

RISK MANAGEMENT

Section 1. Authority and Responsibility of the Mayor. The Mayor shall advise the City Council on and shall be responsible for:

- A. Identifying and measuring risks of accidental loss;
- B. Selection and recommendations of the appropriate risk management techniques for specific liability exposure problems;
- C. Developing and maintaining an information system for timely and accurate recording of claims, losses, insurance premiums and other related costs;
- D. Analyzing and allocating insurance premiums, uninsured losses and other associated costs; and
- E. Establishing, implementing and monitoring an integrated City-wide safety program.

Section 2. Safety Program: It is a fundamental responsibility of the City to protect the lives and property of its residents and to provide a safe work environment for its employees. The prevention of accidents, injuries and illnesses is of such consequence that it will be given precedence over other operating concerns whenever necessary. To the greatest degree possible, the City will provide mechanical and physical resources required for personal safety in keeping with the applicable standards.

To be successful, such a program must embody the proper attitudes toward accident, injury and illness prevention on the part of both supervisory personnel and all employees, and between each employee and his or her fellow workers. Only through such a cooperative effort can a safety record in the best interest of all be established and preserved.

- A. The objective of the safety program is to reduce the number of injuries, illnesses, property damage incidents and liabilities incurred.
- B. The safety program shall consist of these activities:
 1. Providing mechanical and physical safeguards to the extent that it is feasible;
 2. Conducting a program of safety surveys to find and eliminate unsafe working conditions or unsafe practices; to control health hazards; and to fully comply with the relevant safety and health standards;