

RESOLUTION NO. _____

AUTHORIZATION TO RENEW EXCESS WORKERS' COMPENSATION COVERAGE

Item No. 5i

WHEREAS, the Louisville Metro Housing Authority (LMHA) has been successfully self-insured with excess coverage for workers' compensation claims; and

WHEREAS, the LMHA submitted requests for proposals for Excess Workers' Compensation Insurance on June 12, 2019; and

WHEREAS, proposals were received and publicly opened on July 2, 2019; and

WHEREAS, the original contract award to Arch Insurance Company included four, one-year renewal options; and

WHEREAS, staff is requesting approval of the fourth, one-year renewal option.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE LOUISVILLE METRO HOUSING AUTHORITY, that the Louisville Metro Housing Authority purchase Excess Workers' Compensation Insurance with a self-insured retention of \$600,000 offered by Arch Insurance Company, through Underwriters Safety and Claims, Inc. for a one-year deposit premium of \$78,896 for the policy year of July 1, 2020 to June 30, 2021.

RESOLUTION BACKGROUND STATEMENT

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I. STATEMENT OF FACTS:

The Louisville Metro Housing Authority (LMHA) has been successfully self-insured with excess coverage for its workers' compensation claims since August 1, 2002. On June 12, 2019, proposals for Excess Workers' Compensation Insurance were submitted to nineteen insurance agents. Additionally, advertisements were made in local newspapers, and the request for proposal was posted on LMHA's web-site.

LMHA enlisted the services of an experienced Insurance Consultant (Risk Insurance Solutions) to analyze and assess the proposals submitted. In addition to price, other factors used in determining the best coverage for LMHA included the AM Best rating for each company, financial size (assets) of each company, and the absence of unfavorable conditions, such as reporting penalties, commutation provisions, and the requirement that the insurance carrier approve of any changes LMHA may make regarding its third-party administrator (TPA).

LMHA's Insurance Consultant reviewed the proposal forms and actual specimen policy that was submitted by Arch Insurance Company, through Underwriters Safety and Claims, Inc. Upon review, the policy contained virtually no unfavorable conditions and had an AM Best Rating of A+ (Superior). With a self-insured retention of \$600,000 for each claim or incident, Arch quoted a rate of .5378 per each \$100 of estimated payroll for a deposit premium of \$78,896 for the policy year of August 1, 2019 to July 31, 2020.

Arch Insurance Co. has been LMHA's provider since 2009. When comparing the rate from Arch in 2009 to the proposed renewal rate for the 2019 policy period, the rate is down approximately 4% (and is 14% lower than the current rate).

Underwriters Safety and Claims, Inc. furnishes Workers' Compensation claims administration and loss control services under a separate contract. For the past five years, the LMHA has averaged \$248,560 annually for workers' compensation claims paid.

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II. ALTERNATIVES:

- A. Purchase Excess Workers' Compensation Insurance with a self-insured retention of \$600,000 offered by Arch Insurance Company, through Underwriters Safety and Claims, Inc., for a one-year deposit premium of \$78,896 for this policy year of July 1, 2020 to June 30, 2021.
- B. Develop a new request for proposal and advertise for a new insurance carrier.

III. RECOMMENDATION:

Staff recommends alternative "A".

IV. JUSTIFICATION:

- A. Arch Insurance Company's proposal and specimen policy, through Underwriters Safety and Claims, Inc., was clear, offered broad coverage, and had virtually no penalties or restrictions noted and quoted an estimated annual deposit premium reasonable to LMHA.
- B. Underwriters Safety and Claims, Inc. is under contract to the Housing Authority for claims administration and loss control services.
- C. Excess coverage is needed to insure against potential catastrophic losses.

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V. BUDGET APPROVAL:

Funding for this project is provided from the Operating Budget.

Angela Larsson, Director of Finance

Date

VI. PROCUREMENT CERTIFICATION:

The procurement of this insurance coverage is in compliance with the Louisville Metro Housing Authority's procurement policies and procedures.

Steve Webb, Purchasing Agent

Date

Submitted by: Angela Larsson, Director of Finance
July 21, 2020