

STAFF REPORT

AGENDA ITEM #: #19-105
COUNCIL MTG. OF: September 3, 2019
FROM: Dave Caron, Town Administrator
OFFERED BY: Administration
PREPARED BY: Administration
SUBJECT: Primex Contribution Assurance Program

INTRODUCTION:

To receive authorization to enter into agreements for multi-year participation for Property-Liability (P/L) and Workers Comp (W/C) insurance coverages.

TOWN ADMINISTRATOR COMMENTS

Please see comments within this staff report.

BACKGROUND

The Town has been securing its insurance coverages through a risk insurance pool for decades. We propose to enter into a three-year commitment from Primex to provide P/L and W/C coverage through FY 23. Primex is governed by a Board of local elected and appointed school, county and municipal officers, and has provided coverage to governmental units since 1979.

DISCUSSION

The Town has benefited tremendously from participation in risk pools (the Town secures most of its health coverage through a different risk pool). The pools provide stability, both fiscally (through contribution cap programs) and operationally (risk management services, legal advice on contracts, training, etc.) Additionally, due to spreading losses and risks among all members, pricing is much more stable than private sector insurance, without risk of dropped coverage.

The Contribution Assurance Program sets a cap on potential premium increases; past caps have maxed out at 9% annually, with the current cap at 6%. From a historical perspective, over the past five years, the Town's W/C premium increase has averaged 3.6%. In reality, the W/C rates have been flat, as the premium increase in that sector is largely driven by wage adjustments and the Town's experience modification (loss ratio adjustment factor). The Town's factor for W/C is .80 for FY 19, and has hovered predominantly in the 0.70 -0.80 range.

For P/L, the average cost increase over the last five years has been 0.68%; the Town will be paid \$20,000 less in FY 19 than it paid in FY 14.

FISCAL IMPACT

The Town annually budgets for these coverages in the General Fund, Water and Wastewater Funds. This program provides budget stability which is critical in the Town's tax cap environment.

RECOMMENDED ACTION BY COUNCIL & MOTION

The Council is urged to adopt Resolution #2019-054.

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