



INSURANCE SERVICES FUND





2009 – 2010 Proposed Budget --- Budget Summary Insurance Services Fund

2009 – 2010 Insurance Services Fund Budget Highlights

➤ **Charges For Services** – As an internal service fund of the City, the Insurance Services Fund charges operating departments for the cost of property, liability and workers' compensation premiums and claims. Charges are budgeted to adequately pay insurance premiums, deductibles on loss claims, miscellaneous insurance related expenses and to maintain an adequate but not excessive fund balance.

➤ **Other Income - City County Insurance Services (CIS)**

- CIS continues to offer multiple lines credits for entities that purchase more than one insurance line with CIS --- a \$12,000 multiple lines credit is estimated for 2009 - 2010.

➤ **Property & Liability Insurance** --- Cost estimated to increase 3%.



➤ **Medical Insurance**

- Beginning with the 2008-2009 fiscal year, medical insurance premiums for covered employees have been charged directly to the operating department through the payroll system.

➤ **Workers' Compensation Insurance:**

- "Pure" workers' compensation rates are developed by the National Council on Compensation Insurance and do not include CIS Admin Rate Load Factor or State Assessments. The "pure" workers' compensation rate decreased slightly for 2009-2010. CIS expenses and the state assessment remained consistent with the prior year.
- City of McMinnville experience mod is projected to be at 92% which means the City's losses are approximately 8% better than the average.



The City covers a wide variety of workers' compensation class codes with a wide variety of rates.

2009 – 2010 Proposed Budget --- Budget Summary Insurance Services Fund

Short- and Long-Term Issues

➤ **Short-Term Issues** --- Addressed by 2009 - 2010 Proposed Budget.

➤ **Long Term Issues** ---

- Risk management of workers' compensation, property and liability claims.



The City carries excess employee crime insurance on all regularly budgeted positions.

Core Services

➤ The Insurance Services Fund is an internal service fund that provides the City with all insurance coverages by allocating insurance charges to operating funds:

- General liability insurance
- Automobile liability, collision, and comprehensive insurance
- Property, equipment, and crime insurance
- Earthquake insurance
- Boiler insurance
- Excess crime insurance
- Employee workers' compensation insurance
- State unemployment insurance costs --- the City pays unemployment costs on a reimbursement basis rather than as an insurance premium.



The City insures about 115 vehicles and trailers.



Insurance Services Fund --- Historical Highlights

- 1985** City begins purchasing general and automobile liability, property, automobile physical damage insurance coverage from City County Insurance Services (CIS).
- 1986** City begins purchasing workers' compensation insurance coverage from CIS moving coverage from State Accident Insurance Fund.
- 1989** City establishes Insurance Services Fund centralizing insurance premium coverages into one City internal service fund.
- 1991** Medical insurance cost sharing with City general service employees begins. General service employees will share all future medical insurance increases with City 50-50. Thus, 1991 – 1992 medical insurance premiums becomes base year.



Single - \$121.60
 2-Party - \$262.50
 Family - \$332.20

- 2000** Fire union members first begin medical insurance cost sharing – 10% of premium.
- 2001** City begins participating in the CIS Liability Aggregate Deductible Program. City pays original liability premium less a large premium credit and then pays premium deductible amount plus about \$10,000 if liability losses exceed original deductible credit.
- 2003** Police union members first begin medical insurance cost sharing – 5% of premium.
- 2004** The City and CIS initiate a new health initiative, the One Million Footstep Challenge to improve employee health.
- 2004** City Manager appoints 15 employees to an Ad-Hoc Employee Committee on Health Insurance to review City's medical insurance coverage and make recommendations.



- 2003** Due to escalating Blue Cross medical insurance premiums with City of McMinnville's separate group, City joins CIS group for medical insurance coverage.
- 1995** Insurance Services Fund surplus funds Community Center seismic retrofit.
- 1995** Insurance Services Fund surplus funds significant portion of Library roof repair and seismic retrofit.
- 1997** City establishes direct CIS relationship for most insurance coverages, saving over \$30,000 per year. Savings transferred yearly to General Fund to help pay for Finance Department's administrative time.

Insurance Services Fund --- Historical Highlights

2004 City picks up 75% of general service employee medical insurance increase with general service employees picking up 25% of increase. First year increase not split 50-50 with general service employees.

2005 City picks up 100% of general service employee medical insurance increase which drops general service employee cost sharing to ~27% of medical insurance premiums.

2006 CIS drops airport coverage from basic property and liability insurance and requires purchase of specialized airport coverage.



2006 CIS discontinues allowing City to directly purchase insurance policies. City re-establishes complete local agent relationship with Hagan-Hamilton Insurance Agency.

2008 City continues to pick-up 100% of general service employee medical insurance increases. Cost sharing decreases to ~21%.

2008 City re-establishes direct purchasing of insurance coverages from CCIS.



The K-9 police dogs are insured as mobile equipment and listed on the City's fixed assets.



The City's liability insurance covers 55,883 square feet of buildings leased/rented to others.

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2007 ACTUAL	2008 ACTUAL	2009 AMENDED BUDGET	Department :N/A Section :N/A Program :N/A	2010 PROPOSED BUDGET	2010 APPROVED BUDGET	2010 ADOPTED BUDGET
RESOURCES						
<u>BEGINNING FUND BALANCE</u>						
0	0	0	4085 Designated Begin FB-Ins Svc Fd	0	0	0
17,502	6,622	0	4085-05 Designated Begin FB-Ins Svc Fd - Park & Recreation Fund	0	0	0
0	3,849	0	4085-10 Designated Begin FB-Ins Svc Fd - City Hall	0	0	0
85,121	151,667	200,000	4090 Beginning Fund Balance Estimated July 1, 2009 undesignated cash carryover from the 2008-2009 fiscal year.	420,000	420,000	377,700
102,622	162,137	200,000	<u>TOTAL BEGINNING FUND BALANCE</u>	420,000	420,000	377,700
<u>INTERGOVERNMENTAL</u>						
0	0	3,500	4850 OR EAIP Work Site Modification State of Oregon Employee-At-Injury Program has a portion of the program for work site modifications and tools and equipment needed for light duty assignments. Reimbursement for up to \$1,000 per workers' compensation injury may be received for tools and equipment \$2,500 for work site modifications.	3,500	3,500	3,500
0	0	3,500	<u>TOTAL INTERGOVERNMENTAL</u>	3,500	3,500	3,500
<u>CHARGES FOR SERVICES</u>						
397,700	388,900	0	6050 Insurance	0	0	0
0	0	246,200	6050-05 Insurance - Liability Total charges to the operating departments and funds for pro-rata share of the liability insurance premiums: general liability, automobile liability, and employee excess crime coverage.	220,300	220,300	220,300
0	0	131,900	6050-10 Insurance - Property Total charges to the operating departments and funds for pro-rata share of the property insurance premiums: property, automobile, mobile equipment, earthquake, and boiler and machinery.	135,900	135,900	135,900
1,482,288	1,649,335	0	6060 Medical Insurance	0	0	0
314,591	317,419	348,400	6070 Workers' Compensation Insurance Charges to payroll operating departments and funds for worker's compensation insurance coverage.	331,800	331,800	332,001
9,420	19,567	0	6080 Unemployment Charges	0	0	0
2,203,998	2,375,221	726,500	<u>TOTAL CHARGES FOR SERVICES</u>	688,000	688,000	688,201
<u>MISCELLANEOUS</u>						
10,043	10,157	6,400	6310 Interest	5,600	5,600	5,600
0	0	0	6510 Insurance Loss Reimbursement	0	0	0

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16,557	195	10,000	6510-05 Insurance Loss Reimbursement - Property Estimated five claims at \$3,000 each less \$5,000 of deductibles - \$1,000 per claim.	10,000	10,000	10,000												
0	0	0	6510-10 Insurance Loss Reimbursement - Parks	0	0	0												
1,727	8,636	10,000	6510-15 Insurance Loss Reimbursement - Automobile Estimated five claims at \$2,500 each less \$2,500 of deductibles - \$500 per claim.	10,000	10,000	10,000												
1	0	0	6600 Other Income	0	0	0												
37,883	11,805	12,000	6600-15 Other Income - City County Insurance Services	12,000	12,000	12,000												
			<table border="0"> <thead> <tr> <th>Description</th> <th>Units</th> <th>Amt/Unit</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>CIS Multiple Lines Credit - property & liability insurance</td> <td>1</td> <td>6,000</td> <td>6,000</td> </tr> <tr> <td>CIS Multiple Lines Credit - workers' compensation insurance</td> <td>1</td> <td>6,000</td> <td>6,000</td> </tr> </tbody> </table>	Description	Units	Amt/Unit	Total	CIS Multiple Lines Credit - property & liability insurance	1	6,000	6,000	CIS Multiple Lines Credit - workers' compensation insurance	1	6,000	6,000			
Description	Units	Amt/Unit	Total															
CIS Multiple Lines Credit - property & liability insurance	1	6,000	6,000															
CIS Multiple Lines Credit - workers' compensation insurance	1	6,000	6,000															
66,211	30,793	38,400	TOTAL MISCELLANEOUS	37,600	37,600	37,600												
2,372,832	2,568,152	968,400	TOTAL RESOURCES	1,149,100	1,149,100	1,107,001												

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REQUIREMENTS

MATERIALS AND SERVICES

10,481	941	6,000	7750	Professional Services	770	770	770
				<u>Description</u>	<u>Units</u>	<u>Amt/Unit</u>	<u>Total</u>
				Audit fee allocation	1	770	770
0	0	0	7800	M & S Equipment	0	0	0
0	0	3,500	7800-60	M & S Equipment - EAIP Potential worksite modification and specialized tools and equipment to address actual workers' compensation injuries experienced by the City. Expenditures reimbursed through revenue account, OR EAIP Work Site Modification.	3,500	3,500	3,500
329,797	311,433	356,000	8300	Property & Liability Ins Premium Insurance premiums for the following coverages: general liability, automobile, property, crime, mobile equipment, earthquake, employee crime coverage, and boiler and machinery - estimated 3% premium increase.	356,200	356,200	356,200
0	0	0	8320	Liability Premiums	0	0	0
1,774	1,774	1,900	8320-10	Liability Premiums - Employee Bond	0	0	0
0	0	0	8330	Liability Aggregate Deductible	0	0	0
1,989	10,274	0	8330-03	Liability Aggregate Deductible - 2002 - 2003 Liability deductible year "closed". City has paid claims up to deductible amount of \$40,000; CIS now assumes payment of any general liability claims from this fiscal year.	0	0	0
0	0	0	8330-04	Liability Aggregate Deductible - 2003 - 2004 Liability deductible year "closed". City has paid claims up to deductible amount of \$50,000; CIS now assumes payment of any general liability claims from this fiscal year.	0	0	0
0	0	0	8330-05	Liability Aggregate Deductible - 2004 - 2005 Liability deductible year open; presently no open claims.	0	0	0
3,493	0	0	8330-06	Liability Aggregate Deductible - 2005 - 2006 Liability deductible year "closed". City has paid claims up to deductible amount of \$50,000; CIS now assumes payment of any general liability claims from this fiscal year.	0	0	0
1,195	6,421	35,000	8330-07	Liability Aggregate Deductible - 2006 - 2007 Liability deductible year "closed". City has paid claims up to deductible amount of \$50,000; CIS now assumes payment of any general liability claims from this fiscal year.	0	0	0
0	11,951	35,000	8330-08	Liability Aggregate Deductible - 2007 - 2008 Liability deductible year open with one outstanding claim. 2007-2008 fiscal year general liability deductible amount was \$50,000.	22,000	22,000	22,000
0	0	50,000	8330-09	Liability Aggregate Deductible - 2008 - 2009 Liability deductible year open with several outstanding claims. 2008-2009 fiscal year general liability deductible amount was \$50,000.	30,000	30,000	30,000
0	0	0	8330-10	Liability Aggregate Deductible - 2009 - 2010 Liability deductible year projection for unknown claims. 2009-2010 fiscal year general liability deductible amount is \$50,000.	50,000	50,000	50,000

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1,482,288	1,649,335	0	8340 Medical Insurance Premiums	0	0	0
0	0	0	8350 Workers' Compensation	0	0	0
8,001	0	0	8350-02 Workers' Compensation - 2001 - 2002 Closed	0	0	0
7,137	0	0	8350-03 Workers' Compensation - 2002 - 2003 Closed	0	0	0
0	0	0	8350-04 Workers' Compensation - 2003 - 2004 Guaranteed	0	0	0
32,319	8,162	5,000	8350-05 Workers' Compensation - 2004 - 2005 Retro No open workers' compensation claims for this fiscal year.	0	0	0
73,932	32,157	20,000	8350-06 Workers' Compensation - 2005 - 2006 Retro One open workers' compensation claim for this fiscal year.	10,000	10,000	10,000
136,412	-8,838	10,000	8350-07 Workers' Compensation - 2006 - 2007 Retro No open workers' compensation claims for this fiscal year.	0	0	0
0	129,030	25,000	8350-08 Workers' Compensation - 2007 - 2008 Retro One open workers' compensation claim for this fiscal year.	10,000	10,000	10,000
0	0	200,000	8350-09 Workers' Compensation - 2008 - 2009 Retro Seven open workers' compensation claims at March 31, 2009 with approximately three months of operation exposure remaining.	80,000	80,000	80,000
0	0	0	8350-10 Workers' Compensation - 2009 - 2010 Retro	200,000	200,000	200,000
9,420	19,567	0	8360 Unemployment Costs	0	0	0
0	0	0	8370 Property & Auto Damage Claims	0	0	0
13,708	1,370	15,000	8370-05 Property & Auto Damage Claims - Property Loss & Damage The City's property insurance carries a \$1,000 deductible.	15,000	15,000	15,000
0	0	0	8370-10 Property & Auto Damage Claims - Park Loss & Damage	0	0	0
2,765	10,915	12,000	8370-15 Property & Auto Damage Claims - Automobile Damage The City's automobile insurance has most recently carried a \$500 collision deductible and a \$250 comprehensive deductible.	12,000	12,000	12,000
2,114,710	2,184,493	774,400	<u>TOTAL MATERIALS AND SERVICES</u>	789,470	789,470	789,470
<u>TRANSFERS OUT</u>						
0	0	0	9700 Transfers Out	0	0	0
85,105	84,234	46,051	9700-01 Transfers Out - General Fund Administration and Finance personal services support.	40,466	40,466	40,466
10,880	6,622	0	9700-34 Transfers Out - Parks & Recreation	0	0	0
95,985	90,856	46,051	<u>TOTAL TRANSFERS OUT</u>	40,466	40,466	40,466
<u>CONTINGENCIES</u>						
0	0	100,000	9800 Contingencies	100,000	100,000	100,000

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0	0	100,000	TOTAL CONTINGENCIES	100,000	100,000	100,000
ENDING FUND BALANCE						
0	0	0	9985 Designated End FB - Ins Svc Fd	0	0	0
6,622	0	0	9985-05 Designated End FB - Ins Svc Fd - Parks & Recreation Fund	0	0	0
3,849	0	0	9985-10 Designated End FB - Ins Svc Fd - City Hall	0	0	0
151,667	292,803	47,949	9999 Unappropriated Ending Fd Balance Budgeted undesignated cash carryover for July 1, 2010. Actual cash carryover remaining money from the Contingency account and the excess (deficit) of revenues over (under) expenditures from 2009-2010 operations.	219,164	219,164	177,065
162,137	292,803	47,949	TOTAL ENDING FUND BALANCE	219,164	219,164	177,065
2,372,832	2,568,152	968,400	TOTAL REQUIREMENTS	1,149,100	1,149,100	1,107,001

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2,372,832	2,568,152	968,400	<i>TOTAL RESOURCES</i>	1,149,100	1,149,100	1,107,001
2,372,832	2,568,152	968,400	<i>TOTAL REQUIREMENTS</i>	1,149,100	1,149,100	1,107,001