

# Management Committee

Meeting date: June 27, 2007

## ADVISORY INFORMATION

<b>Date:</b>	June 14, 2007
<b>Subject:</b>	Liability Self-Insurance, Environmental Services
<b>District(s), Member(s):</b>	All
<b>Policy/Legal Reference:</b>	Policies 3-4-5 (risk management) and 3-8 (reserve targets)
<b>Staff Prepared/Presented:</b>	Philip J. Walljasper, 651-602-1787 Jason Willett, 651-602-1196
<b>-Division/Department:</b>	Risk Management Finance, Environmental Services

### Proposed Action/Motion

That the Metropolitan Council authorizes: 1) self-insuring General Liability and Auto Liability exposures for Environmental Services up to \$1,000,000 annually, and 2) that \$1 million from the ES Contingency Reserve be transferred into a new fund for this self insurance.

### Overview and Funding

Environmental Services currently insures its liability exposures by participating in the State's Risk Management Fund, which is a risk pool for public entities. This Fund is similar to a traditional insurance policy, in that we pay an annual premium, which is approximately \$80,000, and that we have a deductible on each occurrence of \$5,000.

Over the five years that we have been a member of the State's Risk Fund, there have been five occurrences that resulted in claims being made against the Council, primarily for property damage resulting from sewer back-ups. Generally, when a claim is made, the involvement of the Fund has been to investigate the claim, determine liability, and issue the appropriate payments.

Though there have been relatively few occurrences in the last five years, there have been two of significance within the last six months that have adversely impacted our projected premium for renewal. The total incurred expense of these two occurrences is approximately \$620,000.

Because of the indications from the Fund, other options for covering the liability exposures have been explored. The intent is to not only focus on the premium, but also to structure a program that allows the Council to retain more of the risk and claim administration. Based upon this analysis, the recommendation is to procure an insurance policy that allows us to self-insure each claim, up to the tort cap, with an annual self-insurance up to \$1,000,000.

The MCES Operating Contingency Reserve Fund has a balance \$2.9 million over the target balance. Therefore, there are sufficient funds available in the MCES operating contingency reserve to finance this \$1 million liability reserve.