

CITY COUNCIL MEETING

AGENDA ITEM III



**CITY OF FRANKLIN
COUNCIL AGENDA REPORT**

October 20, 2014

From: Judie Milner, Finance Director

Subject: Primex Workers' Compensation Contribution Assurance program (CAP)

Recommendation:

I recommend the Council approve resolution 03-15 workers' compensation contribution assurance program with Primex for worker's compensation insurance for fiscal years 2016 and 2017.

Suggested Motion:

November 3, 2014

Councilor moves, "I move the City of Franklin City Council adopt Resolution 03-15 Workers' Compensation Contribution Assurance Program (CAP) with Primex, insurance carrier for the City's worker's compensation program through June 30, 2017."

Discussion:

As discussed during the FY15 budget process, the City sent out a request for proposal (RFP) and Primex was awarded the worker's compensation insurance program saving the City significantly over the previous carrier.

The first contract with Primex was for one year (FY15) as they get to know the City and our approach to worker's compensation. Now that the City has some claims history with Primex, the City has been offered membership into the Primex Contribution Assurance Program (CAP). CAP limits the City's worker's compensation premium exposure to 10% over the previous year. However, if the City's claims history warrants less of an increase, we will enjoy the lower increase.

In the past, the City has enjoyed good claims history due to our safe track record and our temporary alternative duty policy; however, it's nice to have a CAP on potential premium increases should the City have unusually heavy claims year.

Concurrences:

The City is currently a member of the Primex risk management pool through FY15 because of Primex's 1 year limitation on new members so they can evaluate the member's policies and practices. The City entered into a similar arrangement twice before with the previous carrier each for 3 year terms.

The City generally sends insurances out to bid every 3 years. This agreement will limit the City's exposure through that third year of the current bid cycle. City employees will continue to have access to Primex's free training programs which are very well respected. Since the property liability insurance is through PLT, the City will continue to have access to PLT's extensive free training programs as well.

Fiscal Impact:

The CAP agreement with Primex will limit the City's potential exposure to 10% above previous year's premium but not lock the City in into a 10% increase if claims history warrants less of an increase. Since the City saved so significantly by moving workers' compensation coverage to Primex for FY15, the maximum exposure over the next two years would still net the City savings over the previous carrier at their quoted rate for FY15. This agreement would extend the City's relationship with Primex through the end of the next typical bid cycle for insurances (3 years).

Alternatives:

City Council could not enter into the program and potentially risk a significant increase in premiums should the City suffer an unusually high risk year. The City would remain in an annual pay as you go type program with no risk limits.

Attachments/Exhibits:

Resolution 03-15
Primex Contribution Assurance Program (CAP) Agreement



CITY OF FRANKLIN, NEW HAMPSHIRE

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RESOLUTION #03-15

City of Franklin Worker's Compensation Contribution Assurance Program (CAP)

BE IT RESOLVED: The City of Franklin, City Council hereby accepts the offer of the New Hampshire Public Risk Management Exchange (Primex³) to enter into its Workers' Compensation Contribution Assurance Program (CAP) as of the date of the adoption of this resolution, and to be contractually bound to all the terms and conditions of Primex³ risk management pool membership during the term of the Workers' Compensation Contribution Assurance Program (CAP). The coverage provided by Primex³ in each year of membership shall be as then set forth in the Coverage Documents of Primex³.

The City of Franklin agrees to the conditions of the Workers' Compensation Contribution Assurance Program as outlined above and was voted on by its City Council on the 3rd day of November, 2014.

Approved: _____
Mayor

Passed: _____

I certify that said vote has not been amended or repealed and remains in full force and effect as of the date of this Certification and that Katie Gargano is the City Clerk for the City of Franklin, Franklin, New Hampshire.

A true copy, attested: _____
Katie Gargano, City Clerk

Date

**Workers' Compensation Program
Contribution Assurance Program (CAP) Agreement
THIS AGREEMENT AMENDS AND EXTENDS YOUR MEMBERSHIP AGREEMENT
PLEASE READ CAREFULLY**

Primex³ is offering members in our **Workers' Compensation Program** an opportunity to stabilize their annual contributions through participation in our Contribution Assurance Program (**CAP**). **CAP** is offered to members who qualify, providing them predictability by limiting the annual contribution increase during a defined period of years (**CAP Period**). By signing this Agreement, you agree to extend your Membership Agreement for **two (2) years** and Primex³ agrees to guarantee that your annual contribution increase will not exceed ten percent (10%) of the prior year's contribution. Because performance matters with Primex³, you may realize an annual increase that is less than the **CAP** through sound risk management and stable underwriting exposures. The annual member contribution will be based upon your exposure base, members' loss experience, and the rates established each year by the Primex³ Board of Trustees.

We are offering this opportunity so that our members can extend their commitment to pooling through the Primex³ programs. Participation in **CAP** for each year of the **CAP Period** is conditioned upon a two-year commitment to participation in the Primex³ Workers' Compensation Program.

The following **CAP Period** years qualify for the Contribution Assurance Program (**CAP**):

FY 2016 July 1, 2015 to June 30, 2016

(maximum 10% increase over July 1, 2014 to June 30, 2015 contribution)

FY 2017 July 1, 2016 to June 30, 2017

(maximum 10% increase over July 1, 2015 to June 30, 2016 contribution)

By signing this Agreement, the **City of Franklin** agrees to extend its risk pool membership and participation in the Primex³ **Workers' Compensation Program** for two coverage period years, through **June 30, 2017**. The **City of Franklin** agrees and understands it remains bound by and subject to the terms and conditions of the Membership Agreement, Public Entity Coverage Documents and Trust Agreement, and all Trust by-laws, policies and procedures.

The **City of Franklin** agrees that the ten percent (10%) maximum increase currently available for this **CAP Period** does not apply to any other year or period of years, and upon expiration of the **CAP Period** in this Agreement, any subsequent participation in a Primex³ **CAP** will be subject to underwriting review, membership criteria, **CAP** criteria, determination of contribution and the maximum increase in place for the subsequent **CAP Period**.

The **City of Franklin** further acknowledges that by extending its Membership Agreement for two (2) coverage period years, the Public Entity Coverage Documents, General Conditions Section (L) ("Terminating Participation in Our Program(s)") is suspended during year one (1) of the two (2) year term, as there is no right to cancel or terminate during year one (1) but shall be reinstated for the end of year two (2).

The **City of Franklin** agrees that failure to provide notice in strict accordance with the Public Entity Coverage Documents, General Conditions Section (L) shall result in automatic renewal of risk management pool membership and continuation in the Primex³ Workers' Compensation Program, but not continuation of **CAP** which must be separately offered and accepted.

Primex³ acknowledges that the Member is a NH public entity which receives budgetary authorization for appropriations from an annual meeting of its legislative body and pertains to a fiscal year which commences on the following January 1 or July 1, of any given year. The Member also acknowledges that it is legally required to carry insurance coverage. As such, if the legislative body, at such annual meeting for any years that are within the anticipated term of the contract, fails to approve such appropriation, and there are no other lawful means of funding the coverage, this contract may be terminated by the Member by notice to Primex³ made within 30 days of the legislative action at which such funding initiative was defeated and such cancellation shall be effective as of the commencement on the following fiscal year or on the anniversary of the policy, whichever first occurs.

The Member, however, agrees that it shall seek the requisite appropriations in good faith and that the availability of lower cost or otherwise preferable coverage alternatives during the term of this Agreement shall not constitute a good faith and permissible basis on which to fail to pursue the appropriations or assert that appropriations are unavailable. In the event of an early termination, the Member agrees to return the difference between the **CAP** increase and the uncapped contribution.

By affixing my signature below, I am attesting, representing and warranting that I am a duly authorized representative of the governing body of the **City of Franklin** with legal authority to contractually bind the **City of Franklin** to the terms of this Agreement, and that I understand the commitment being made to membership in the Primex³ risk management pool and participation in the Workers' Compensation Program.

Authorized Representative
of the Governing Body

Title

Date

Print Name