

INSURANCE FUND

| | <u>2020 Actual</u> | <u>2021 Budget</u> | <u>2021 YTD</u> | <u>2021 Projected</u> | <u>2022 Executive</u> |
|--------------------------------------|------------------------|------------------------|---------------------|---------------------------|---------------------------|
| Cash and Other Assets | 4,731,452 | 5,571,522 | 5,462,071 | 5,462,071 | 5,468,840 |
| Claims Payable and Other Liabilities | (4,006,590) | (4,006,590) | (3,529,838) | (3,529,838) | (3,529,838) |
| Net Assets: January 1 | <u>\$ 724,862</u> | <u>\$ 1,564,932</u> | <u>\$ 1,932,233</u> | <u>\$ 1,932,232</u> | <u>\$ 1,939,001</u> |
| REVENUES | | | | | |
| Billings to Departments | 3,350,000 | 2,850,002 | 1,187,501 | 2,850,002 | 2,750,000 |
| Interest Income | 11,561 | 12,000 | 1,510 | 6,000 | 12,000 |
| Appropriation from Other Funds | 997 | - | - | - | - |
| Insurance Recoveries | 280,752 | 200,000 | (9,205) | 180,000 | 200,000 |
| Miscellaneous Revenue | 225 | 10,000 | 416 | 1,000 | - |
| WMMIC Dividend | 154,905 | 120,000 | 120,998 | 121,100 | 120,000 |
| Total Revenues | <u>\$ 3,798,440</u> | <u>\$ 3,192,002</u> | <u>\$ 1,301,220</u> | <u>\$ 3,158,102</u> | <u>\$ 3,082,000</u> |
| EXPENSES | | | | | |
| Liability Premium | 727,042 | 870,000 | 791,805 | 791,805 | 885,000 |
| Property Premium | 660,752 | 733,125 | 734,395 | 734,395 | 803,000 |
| Other Premiums | 71,674 | 87,000 | 90,543 | 95,000 | 98,000 |
| Claims | 514,902 | 950,000 | 131,177 | 950,000 | 800,000 |
| Reserve Adjustment | - | - | - | - | - |
| Interest Expense | - | - | - | - | - |
| Loss Payments to Departments | 300,576 | 200,000 | 203,705 | 300,000 | 200,000 |
| Emergency Management | - | - | - | - | - |
| Driver Simulator | - | - | - | - | - |
| Administrative Expense | 316,123 | 280,133 | 118,317 | 280,133 | 289,321 |
| Total Expenses | <u>\$ 2,591,069</u> | <u>\$ 3,120,258</u> | <u>\$ 2,069,942</u> | <u>\$ 3,151,333</u> | <u>\$ 3,075,321</u> |
| Net Assets: December 31 | 1,932,233 | 1,636,676 | 1,163,511 | 1,939,001 | 1,945,680 |
| Net Asset Goal | <u>1,550,000</u> | <u>1,550,000</u> | <u>1,550,000</u> | <u>1,550,000</u> | <u>1,550,000</u> |
| Surplus (Deficiency) | <u>\$ 382,233</u> | <u>\$ 86,676</u> | <u>\$ (386,489)</u> | <u>\$ 389,001</u> | <u>\$ 395,680</u> |

Note on Reserve Policy:

The City's Insurance Fund reserve policy is to maintain a net asset balance equal to or greater than the current year aggregate self-insured retention (SIR) contained in the City's liability insurance coverage as established by Wisconsin Municipal Mutual Insurance Company (WMMIC) policy.

On December 3, 2013, the Common Council authorized an additional appropriation of \$1,000,000 to the Insurance Fund from the City General Fund (Legistar #32182, RES-13-00882).

On December 2, 2014, the Common Council authorized an additional appropriation of \$150,000 to the Insurance Fund from the City General Fund (Legistar #36230, RES-14-00873).

On January 5, 2016, the Common Council authorized an additional 2015 appropriation of \$500,000 to the Insurance Fund from the City General Fund (Legistar #40817, RES-16-00012).

The City of Madison aggregate SIR for 2015 is \$1.55 million. Based on the reserve policy, the Insurance Fund is expected to be above its net asset goal by \$278,430 at the end of 2015. Claims are reserved at a 95% confidence level.

In 2017, the confidence level at which claims are reserved is changed to 85%. This means in 85 out of 100 cases, the amount reserved will be sufficient to pay outstanding claims.

In 2016, premiums in the Insurance Fund are increasing for two primary reasons. First, significant rate increases were expected in the Local Government Property Insurance Fund (LGPIF) due to past changes by the Legislature and incurred losses. As an alternative, the City sought a proposal from the newly formed Municipal Property Insurance Corporation (MPIC). This proposal was \$100,000 less than the LGPIF, but still represents an increase of \$50,000. However, MPIC does not cover auto physical damage. The City also worked with the Transit Mutual Insurance to secure that coverage. On the liability side, the City is facing a liability premium increase of approximately \$45,000 for 2016. Second, the fund is also in the midst of defending a larger number of litigated files than in past years resulting in increases in the reserve adjustment. Administrative costs are also increasing due to additional staff support for the program and other salary and benefit adjustments.

In 2017, billings to agencies are increased by \$650,000.

In 2017, \$16,000 was added for Emergency Management. These funds include money for training, plan development, active shooter exercises and supplies. Madison Police Department will supply Risk Management with a report detailing goals and progress of active shooter training and a plan for cost recovery of training to outside entities.

In 2018, WMMIC dividend was reduced by \$300,000 based on projections; billings to agencies increased by \$250,000.

In 2019, premiums and insurance claims increased by \$291,000; billings to agencies increased by \$150,000.

In 2020, billings to agencies for Workers Compensation decreased by \$900,000 and increased by \$950,000 for Insurance in order to improve the Insurance fund balance without affecting agency budgets. Budgeted Insurance premiums increased by \$129,000.

In 2021, billings to agencies for the Insurance Fund decreased by \$500,000, and increased by \$500,000 in the Worker's Compensation Fund. This modification restores a portion of a change in billings between the two funds in the 2020 budget that addressed a deficit in the Insurance Fund.

In 2022, billings to agencies for the Insurance Fund decreased by \$100,000 and increased by \$100,000 in the Worker's Compensation Fund. This modification restores a portion of a change in billings between the two funds in the 2020 budget that addressed a deficit in the Insurance Fund.