

TRUST AND AGENCY FUNDS

INSURANCE TRUST

GENERAL INFORMATION:

This trust fund was first established in 1979/80 for the purpose of accounting for a premium return on the City of Muscatine's retro-rated insurance policy. Through the years the City has had a number of policies that provided for premium returns or dividends based on favorable claims experience. Several policies also provided that additional premiums would be owed based on unfavorable claims experience.

The purpose of the Insurance Trust has been to maintain a reserve of funds to be utilized to support unanticipated insurance premiums, deductibles, and/or claims. In 2001/2002 the City changed to new insurance carriers for both liability and workers compensation insurance. These new companies did not offer premium return or dividend type policies. The City again changed carriers for Workers Compensation insurance in 2004/2005. Under this Workers Compensation policy, potential premium returns are again available with good claims experience. In 2006/2007, 2007/2008, 2008/2009, 2009/2010, 2010/2011, and 2011/2012 the City received Workers Compensation premium returns of \$23,747, \$14,022, \$9,861, \$26,782, \$25,866, and \$15,961, respectively which were credited to the trust.

CURRENT TRENDS AND ISSUES:

Since 1991/92, transfers from this trust to the General Fund have been made to fund the cost of the City's risk management program including the employee safety program. At the time the 2011/2012 budget was developed, it was not known if any premium returns would be received in 2010/2011. As such, the original 2011/2012 budget did not include a transfer to the General Fund. The 2011/2012 revised estimate, however, included a transfer of \$8,247 to the Police Firing Range Relocation capital project fund and an additional \$16,100 transfer to that project has been included in the revised estimate for 2012/2013. The former range location was affected by flooding several times in recent years and this project involves relocating the range to higher ground on the same property.

In 2013/2014 the insurance premiums accounted for in the City's General Fund (Risk Management budget and the Fine Arts insurance in the Art Center budget) are projected to increase by \$79,900 compared to the original 2012/2013 budget. In 2013/2014 the City will use \$40,000 of Insurance Trust funds to fund a portion of these increased premiums. If those funds would not have been available, the Tort Liability tax levy rate would have been \$.06/\$1,000 of valuation higher than the current year levy rate.

At the time the budget is being prepared it is not known if premium returns will be received in 2012/2013 or 2013/2014. Additional information on the City's risk management and safety program is included in the Risk Management activity budget in the General Fund section of this document.

Insurance Trust

Fund Statement

	<u>Actual 2010/2011</u>	<u>Actual 2011/2012</u>	<u>Budget 2012/2013</u>	<u>Revised Estimate 2012/2013</u>	<u>Budget 2013/2014</u>
Beginning Balance, July 1	\$ 26,798	\$ 52,734	\$ 29,834	\$ 60,542	\$ 44,542
Revenues					
Insurance Premium					
Returns	\$ 25,866	\$ 15,961	\$ 0	\$ 0	\$ 0
Interest	70	94	0	100	100
Total Revenues	<u>\$ 25,936</u>	<u>\$ 16,055</u>	<u>\$ 0</u>	<u>\$ 100</u>	<u>\$ 100</u>
Funds Available	<u>\$ 52,734</u>	<u>\$ 68,789</u>	<u>\$ 29,834</u>	<u>\$ 60,642</u>	<u>\$ 44,642</u>
Expenditures:					
Transfers Out					
General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 40,000
Police Firing Range Project	0	8,247	0	16,100	0
Total Expenditures	<u>\$ 0</u>	<u>\$ 8,247</u>	<u>\$ 0</u>	<u>\$ 16,100</u>	<u>\$ 40,000</u>
Ending Balance, June 30	<u><u>\$ 52,734</u></u>	<u><u>\$ 60,542</u></u>	<u><u>\$ 29,834</u></u>	<u><u>\$ 44,542</u></u>	<u><u>\$ 4,642</u></u>

Increase (Decrease) in Fund Balance	\$ 25,936	\$ 7,808	\$ 0	\$ (16,000)	\$ (39,900)
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Explanation of Decreases in Fund Balances:

Funds in this trust have been used to fund the City's Risk Management Program, deductibles, or uninsured losses. In 2011/2012 and 2012/2013 approximately \$25,000 from this trust was used for the relocation of the Police Firing Range. The former range location was affected by flooding several times in recent years and has been relocated to higher ground at the same location. In 2013/2014 \$40,000 from this trust is budgeted to be used to fund increased General Fund insurance premium costs.