

## **Request for City Council Committee Action**

Date: June 22, 2004

To: Community Development Committee  
Referral to: Ways & Means / Budget Committee

Prepared by: Carsten Slostad (Phone 673-5150)

Approved by: Robert D. Miller, Director \_\_\_\_\_

### **Subject: Directors and Officers Insurance for Neighborhoods**

**Summary of the Request:** NRP has secured Directors & Officers and Employee liability insurance for neighborhoods and the NRP Policy Board through a central contract with subordinate certificates from the St. Paul Companies, who will issue the policy. The premium will be paid to the R.J. Ahmann Company, who has coordinated this coverage. Approval is now being requested to purchase this coverage with funds budgeted in the 2004 NRP Administrative Budget for this expense.

### **Recommendation:**

- (1) Approve the use of \$60,863 of NRP's 2004 Administrative Budget for securing Directors and Officers and Employee Liability insurance for Minneapolis neighborhood organizations;
- (2) Authorize the appropriate City officers to enter into any contracts or agreements needed to implement this request.

June 22, 2004

The Honorable Lisa Goodman, Chair  
Community Development Committee  
Minneapolis City Council  
315 City Hall  
Minneapolis, Minnesota 55415

The Honorable Barbara Johnson, Chair  
Ways and Means Committee  
Minneapolis City Council  
315 City Hall  
Minneapolis, Minnesota 55415

**Re: Directors and Officers Insurance for Neighborhoods**

Dear Chairpersons Goodman and Johnson:

NRP requires that neighborhoods carry Directors and Officers and Employee liability insurance for the protection of their Board members, officers, volunteers, and organization. Before 1998 neighborhoods had routinely tried to meet this need by acquiring appropriate policies on the open market. Unfortunately, the number of carriers providing this type of coverage declined over the years and the premiums being charged increased to the point where many neighborhoods could no longer afford to provide this protection. To assist the neighborhoods, NRP solicited possible providers, identified a reputable vendor with whom to contract, negotiated the premiums to be paid and began offering neighborhoods the option of participating through the central purchase of this insurance in 1998. Participation was strictly voluntary and 42 neighborhoods chose to secure their D&O insurance through NRP in 1998.

The premiums for the insurance coverage, which previously had been paid from each neighborhoods administrative expense budget, became part of NRP's central office admin budget. The savings to NRP by using the purchase of a central contract with subordinate certificates for each participating neighborhood has been significant. For example, Concerned Citizens of Marshall Terrace was covered under its own policy in 1998 and paid a premium of \$1,000 for their coverage. In 1999 CCMT joined the central purchase program and their premium for higher levels of coverage was \$600. The premium has increased over the last five years as the number of providers of coverage has continued to decline but our negotiated premium for CCMT for 2004 coverage will be only \$635. The neighborhoods covered and the premiums for their coverage are attached. The premium will be paid to the R.J Ahmann Company and the St. Paul Companies will issue the policy. A copy of the insurance certificate is available upon request.

The Honorable Lisa Goodman  
The Honorable Barbara Johnson  
June 22, 2004

In NRP's 2004 Administrative Budget, we projected the premium for this insurance to be \$54,000 and that 61 neighborhoods would be covered. During this year's enrollment period, however, 66 neighborhoods asked to participate and the underwriter agreed to include, for the first time, the NRP Policy Board. Only 2 neighborhoods are not covered by this program. With the increased level of participation the total premium rose to \$60,863.

The NRP Policy Board and the City Council and Mayor had previously approved the inclusion of this line item in NRP's 2004 Administrative Budget. The increased cost for this line item will be covered by reducing other costs in the approved budget so no increase in the budget is being requested. This request is for approval to enter into the contracts necessary to secure the insurance and to approve the use of \$60,863 of NRP's 2004 Administrative Budget for this expenditure.

Pursuant to the prior approvals of the Policy Board and City Council, I make the following recommendations for consideration by your committees:

**RECOMMENDATION:**

- (3) Approve the use of \$60,863 of NRP's 2004 Administrative Budget for securing Directors and Officers and Employee Liability insurance for Minneapolis neighborhood organizations;
- (4) Authorize the appropriate City officers to enter into any contracts or agreements needed to implement this request.

Sincerely,

Robert D. Miller  
Director