

Introduced by:	Mayor
Date:	02/18/03
Shortened Hearing:	03/11/03
Action:	Enacted as Amended
Vote:	8 Yes, 0 No, 1 Absent

**KENAI PENINSULA BOROUGH
ORDINANCE 2002-19-33**

**AN ORDINANCE APPROVING AN AGREEMENT WITH THE ALASKA MUNICIPAL
LEAGUE JOINT INSURANCE ASSOCIATION AND APPROPRIATING \$216,915 FOR
PROPERTY INSURANCE PREMIUM INCREASE**

- WHEREAS,** in the spring of 2001, the Kenai Peninsula Borough Risk Management Committee solicited proposals from insurers for liability and property insurance for the borough and school district; and
- WHEREAS,** both coverages were awarded to the Alaska Municipal League Joint Insurance Association (“AML/JIA”); and
- WHEREAS,** AML/JIA is a cooperative of municipalities and school districts that self-insure a primary layer and pass the remaining risk to reinsurance or excess carriers; and
- WHEREAS,** the borough does not participate in the pooled layer but purchases the excess coverage with other members of the pool; and
- WHEREAS,** in 1998 the Kenai Peninsula Borough and School District purchased three years of liability and property coverage through the AML/JIA pool and experienced no difficulties; and
- WHEREAS,** effective July 1, 2001, the borough entered an agreement that provided for another three years of property and liability coverage through AML/JIA; and
- WHEREAS,** the annual amount paid by the borough for property insurance under the AML/JIA proposal is approximately \$189,000 per year;
- WHEREAS,** AML/JIA was unable to secure a three-year agreement with the reinsurers, but AML/JIA nevertheless honored its proposal at a loss of approximately \$435,000 in fiscal year 2002; and
- WHEREAS,** the AML/JIA is absorbing a loss of approximately \$1 million to provide coverage for the borough at the proposed rate for fiscal year 2003; and
- WHEREAS,** AML/JIA expects that additional insurance for the final year of the three-year contract would result in an additional loss in excess of \$1 million as property insurance markets continue to harden; and

WHEREAS, absorbing these losses is threatening the viability of the AML/JIA pool and its members; and

WHEREAS, AML/JIA reserved the right to cancel in its proposal to the borough; and

WHEREAS, in October 2002 the AML/JIA director contacted the Kenai Peninsula Borough seeking a contribution of \$1 million to offset the losses sustained by AML/JIA for this year in order to avoid further financial harm and significant financial hardships for the members of the AML/JIA pool, including the Kenai Peninsula Borough; and

WHEREAS, informal market testing indicates that the Kenai Peninsula Borough would probably be unable to obtain replacement property insurance for the remainder of fiscal year 2003 at the amount for which we are proposing to settle; and

WHEREAS, through negotiations, the AML/JIA staff and borough administration staff determined that both parties' best interests would be met if the borough were to contribute \$250,000 in additional premiums for fiscal year 2003 and terminate its relationship with AML/JIA as of June 30, 2003 and seek proposals for replacement insurance for fiscal year 2004; and

WHEREAS, at its meeting of January 24, 2003, the AML/JIA board of directors unanimously voted to support this settlement; and

WHEREAS, the assembly finds the borough's best interests would be served in approving this settlement agreement and in accepting competitive bids for coverage for fiscal year 2004; and

WHEREAS, following an audit of AML/JIA records, it was determined that the loss sustained by AML/JIA for providing coverage to the borough in the final quarter of FY2003 will be \$216,915, and the settlement amount shall be adjusted accordingly;

NOW, THEREFORE, BE IT ORDAINED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH:

SECTION 1. That the assembly authorizes the administration to enter into an agreement with the AML/JIA containing the following points:

1. Kenai Peninsula Borough will pay an additional \$216,915 for FY03.
2. AML/JIA will waive the six-month notice requirement for the borough to terminate its membership for FY04.
3. Kenai Peninsula Borough will rebid insurance coverage for FY04.
4. AML/JIA is welcome to propose coverage for FY04 as a part of the competitive process without prejudice.
5. AML/JIA will publicly thank the Kenai Peninsula Borough for supporting the greater good of all of Alaska's local government entities.

SECTION 2. That the sum of \$216,915 is appropriated from the unreserved retained earnings of the borough's Insurance and Litigation Fund to account 700.94911.43510.

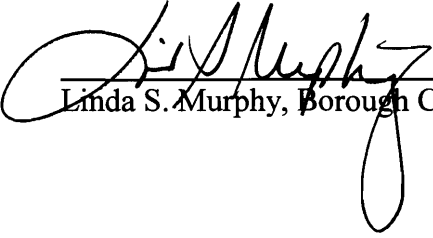
SECTION 3. That this ordinance shall take effect immediately upon its enactment.

ENACTED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH THIS 11TH DAY OF MARCH, 2003.



Pete Sprague, Assembly President

ATTEST:



Linda S. Murphy, Borough Clerk

