



HISTORIC
FRANKLIN
TENNESSEE

ITEM #8
WRKS 06/21/12

MEMORANDUM

June 8, 2012

TO: Eric Stuckey, City Administrator

FROM: Shirley Harmon, H.R. Director
Rodney Escobar, Risk Manager

SUBJECT: **General Liability “Nose Coverage” for the City of Franklin**

Purpose

The purpose of this memorandum is to provide the Board of Mayor and Aldermen (BOMA) with information to consider an agreement with Travelers Insurance to provide continuance of the City’s General Liability Insurance coverage for claims that are not known or reported prior to the inception of the new July 1, 2012, insurance policy.

Background

On July 1, 2012, the City of Franklin will have a new insurance provider (Travelers Insurance). As part of this transition, the City of Franklin has requested a quotation from the current provider, The TML Risk Pool (“The Pool”) for General Liability **“Tail Coverage,” which includes claims that occurred prior to the inception of the new policy but are reported after the automatic 60 day extended reporting period expires on the claims-made policy for an unlimited duration.** The quotation the City received from The Pool was \$34,059. Staff also requested a quotation from Traveler’s Insurance for **“Nose Coverage” which includes a one year term to cover claims that “occurred” and of which the City of Franklin has no knowledge from 7/1/2011 to 7/1/2012 with a one year reporting period for those claims that would actually then be “made” on the City of Franklin from 7/1/2012 to 7/1/2013.** The quotation the City received from Traveler’s Insurance was \$20,000

Financial Impact

Failure to protect the City of Franklin in this transition from “claims made” to “occurrence” will result in the City not having any general liability coverage for a claim or lawsuit that occurred prior to 7/1/2012 but was not reported to the City until after 7/1/2012 and of which the City had no knowledge of the claim or lawsuit prior to 7/1/2012. For that reason, obtaining either “Tail Coverage” from The Pool or “Nose Coverage” from Travelers would minimize the overall vulnerability and financial impact if such General Liability claims or lawsuits were made during this transition from a “claims made” policy to an “occurrence” policy.

It is important to note that most of the civil statutes of limitations identified in Title 28 of the Tennessee Code that would apply to claims covered by either The Pool or Travelers under the General Liability (Bodily Injury and Property Damage) line of coverage have one year statutes of limitations. The exception to that is the Property Damage statute of limitations which is three years. The majority of Property Damage claims of which the City would not already be aware on 7/1/2012 would probably come from the annexation/condemnation/land use arena which is not covered by either The Pool or Travelers.

Options

Option#1: The Pool “Tail Coverage” \$34,059.
Option#2: Travelers Insurance “Nose Coverage” \$20,000.
Option#3: Decline coverage.

Recommendation

Approval of option #2, coverage with Travelers, is recommended.

City of Franklin

General Liability Nose Coverage Quotation

Travelers Indemnity Corporation

Annual Premium - \$20,000

Coverage – Provision of a one year term only to cover General Liability claims that have occurred from 7/1/2011 to 7/1/2012 with a one year reporting period of 7/1/2012 to 7/1/2013 attached and applicable to the General Liability coverage part.

Deductible – Subject to the General Liability \$10,000 per occurrence deductible.

POLICY NUMBER:

ISSUE DATE: - -

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

COVERAGE FOR PRIOR INJURY OR DAMAGE

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

A. SCHEDULE

"Claims – Made Period": From to

"Reporting Period": From to

B. PROVISIONS

1. "Bodily injury" or "property damage" which occurred, or "personal injury" or "advertising injury" committed during the "Claims-Made Period" shown in the **SCHEDULE** above, and, reported to us during the "Reporting Period" shown in the **SCHEDULE** above, subject to the additional exclusions below, shall be deemed to have occurred or been committed during the policy period of this policy.

2. Additional exclusions:

The insurance afforded by this endorsement does not apply to "bodily injury", "property damage", "personal injury" or "advertising injury", including any subsequent claim or "suit" for injury or damage resulting from the same "occurrence" or offense:

a. For which there is any other collectible insurance available to the insured or for which there would be collectible insurance, but for the exhaustion of the applicable limit of liability or the insolvency of the insurer;

b. Which was or should have been known to the insured during the "Claims-Made Period" including its extensions and any discovery period or Extended Reporting Period provision in connection with it; or

c. Likely to occur as a result of an "occurrence" or offense known during the "Claims-Made Period" shown in the **SCHEDULE** above.

3. Additional Definitions:

Only as respects the insurance provided by this endorsement, the following definitions are added to **DEFINITIONS** (Section V):

"Claims-Made Period" means the period of time, stated in the **SCHEDULE** above, that claims-made coverage was in effect.

"Reporting period" means the period of time, stated in the **SCHEDULE** above, for reporting claims or "suits" alleging injury or damage from "occurrences" or offenses during the "Claims-Made Period".