

**CITY COUNCIL
COMMUNICATION:**

ITEM _____

**OFFICE OF THE CITY MANAGER
CITY OF DES MOINES, IOWA**

98-273

SYNOPSIS –

AGENDA:
JUNE 22, 1998

SUBJECT:
ANNUAL RENEWAL
OF INSURANCE
COVERAGE

TYPE:
RESOLUTION
ORDINANCE
RECEIVE/FILE

SUBMITTED BY:
MARK SCHULTZ
RISK
MANAGEMENT
COORDINATOR

The City's self-insurance program consists of a combination of self-insured retentions (SIRs) and insurance coverages. The insurance coverages are renewed annually coinciding with the City's fiscal year. The Risk Management Office requests approval to renew these coverages for FY 99 at a cost of \$588,546. When compared to the total premium paid for FY 98, this represents a decrease in premium of \$17,763. The premium for FY 98 represented a decrease in premium of \$96,767 from FY 97.

FISCAL IMPACT —

The premium costs associated with Citywide insurance coverages are budgeted for in the City's 1998-99 Operating Budget: Public Works: pp. 16, 19, 23, 25; Engineering: pp. 43, 50; Fire: p. 16; Aviation: p. 13; and Non-departmental: p. 21.

RECOMMENDATION —

Approval to purchase the property and casualty insurance coverages recommended by the Risk Management Office.

BACKGROUND —

The City's self-insurance program covers primarily property, general/automobile liability, and workers compensation; and consists of SIRs and excess insurance coverages. The City's property insurance program covers over \$414,000,000 in replacement value through a blanket insurance policy that covers property losses exceeding a \$100,000 SIR per occurrence. The general/automobile liability insurance program includes a \$15,000,000 special excess liability policy that covers liability losses exceeding a \$3,000,000 SIR per

occurrence. The workers compensation insurance program consists of an excess workers compensation policy that pays the State of Iowa statutory limits on any claims exceeding a \$450,000 SIR per occurrence.

In addition to the above, the City has elected to purchase insurance for various activities including: (1) property and liability coverage on the City's skywalks because they are attached to other properties not owned by the City and have the unique exposure of being bridges that extend over vehicle and pedestrian traffic, (2) liability insurance on properties purchased as part of the Martin Luther King Jr. Parkway project and retained until such time as they are to be removed, (3) special medical insurance coverage designed to cover the exposure of the workers compensation insurance SIR when the Fire Department or Haz-Mat teams respond to calls outside of the City's limits (cost of Haz-Mat coverage paid by counties participating in 28E Agreement), (4) crime insurance which protects the City against the possibility of employee theft, (5) liability insurance on the WRA Co-Generation Plant because excess power not required to operate the WRF is transferred to the Mid American energy grid and Mid American requires this coverage, (6) automobile liability insurance on the Curbside Recycling trucks because of lease-purchase agreement and Metro Solid Waste Agreement requirements, (7) general liability and/or automobile liability insurance equivalent to the City's \$3,000,000 SIR for enterprise funds (Solid Waste, WRA, Sanitary/Storm Sewer) whose user fees could be adversely impacted by a catastrophic claim, (8) Federal Flood Insurance of \$500,000 per occurrence on six buildings damaged in the 1993 flooding which equals the property insurance per occurrence SIR on those buildings and which is required by FEMA for the City to be eligible for future FEMA reimbursements for any future flood damage to those buildings, and (9) airport liability coverage to cover the unique exposures associated with operating an airport.

All coverages described above are renewed on an annual basis. However, this is the first year that all coverages have been structured so as to coincide with the City's fiscal year. This arrangement will improve the City's ability to project and budget for the costs associated with the City's overall insurance program. The following is a list of the insurance coverages proposed for renewal and a comparison of this year's premium with last year's. All but one of the insurance carriers being offered have a "Superior" A.M. Best rating

(A++ or A+) with the other carrier rated “ Excellent” (A).

Please note that the premium for Airport Liability Insurance shows an increase of 10 percent over last year. However, the additional \$6,000 in annual premium enables the City to increase the total coverage by 50 percent, or \$50,000,000. The increase in coverage is being recommended not only because it is cost effective, but to account for the increased cost of replacing and repairing aircraft and inflation in liability settlements. Also note that the premium for the enterprise fund coverages decreased by 13 percent. This was due to a reduction in coverage for Sanitary/Storm Sewers. After reviewing the claims experience for the first year of this coverage, it was determined that the coverage for general liability should be self-insured.

COVERAGE	CARRIER	PREMIUM FY 97-98	PREMIUM FY 97-98	SAVINGS
Blanket Property Ins.	Chubb Group	\$ 153,500	\$ 145,218	\$ 8,282
Skywalk Property Ins.	Chubb Group	6,539	9,214	(2,675)
Misc. Liability Ins (MLK)	St. Paul Ins.	10,489	10,737	(248)
Haz-Mat/Fire Dept. Medical	AIG Group	11,749	11,749	0
General/Auto Excess Liability	Genesis Ins.	100,000	97,300	2,700
Excess Workers Compensation	Genesis Ins.	48,700	50,300	(1,600)
Crime Insurance (Fidelity Ins.)	Travelers Ins.	3,440	3,440	0
WRA Co- Generation Plant	Genesis Ins.	23,040	21,092	1,948
Flood Insurance (6 Bldgs)	Federal Flood	11,751	13,244	(1,493)

Curbside Recycling	Cincinnati Ins.	37,230	38,622	(1,392)
Enterprise Fund Activities	EMC	142,592	124,380	18,212
Airport Liability Insurance	Old Republic	57,279	63,250	(5,971)
Total		\$ 606,309	\$ 588,546	\$17,763