

**CITY COUNCIL
COMMUNICATION:**

ITEM _____

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

99-295

SYNOPSIS -

AGENDA:

JUNE 21, 1999

SUBJECT:

ANNUAL
INSURANCE
RENEWAL FOR
JULY 1, 1999.

On June 22, 1998, the City Council directed staff to issue a request for proposals (RFP) to competitively select an insurance agent/broker of record for the City. On January 25, 1999, by Roll Call No. 99-261, the City Council approved the negotiation and execution of a contract with Jester Insurance Services, Inc. On June 7, 1999, by Roll Call No. 99-1843, the City Council approved Jester Insurance Services, Inc. for the proposed restructuring (see attachment) of the City's self-insurance program for the City's July 1, 1999 annual renewal. At the same time, Council approved an amendment to the Insurance Agent/Broker Services Contract changing the guaranteed premium reduction to the City to \$85,000.

TYPE:

RESOLUTION
ORDINANCE
RECEIVE/FILE

The purpose of this agenda is to inform Council of the results of Jester Insurance Services, Inc.'s marketing of the insured portion of the previously approved restructured self-insurance program. The total premium for the City's July 1, 1999 annual renewal is \$487,962. This represents a reduction from July 1, 1998 of \$97,921, but an increase in the level of coverage provided.

SUBMITTED BY:

KEVIN RIPER
FINANCE
DIRECTOR

MARK SCHULTZ
RISK
MANAGEMENT
COORDINATOR

FISCAL IMPACT -

The premium costs associated with Citywide property/casualty insurance coverages are budgeted in the City's 1999-2000 Operating Budget: Public Works, pp. 17, 18, 24, 28; Engineering, pp. 62, 67; Fire, p. 14; Aviation, p. 10; and Nondepartmental, p. 19.

RECOMMENDATION -

Approval.

BACKGROUND -

The City's self-insurance program can be broken down into three major categories: Property Insurance, Liability Insurance, and Worker's Compensation Insurance. The City's RFP for Agent/Broker Services stated that the agent/broker of record was to "... approach appropriate markets on behalf of the City to obtain pricing with respect to the program adopted by the City. If and when available, a minimum of three competitive quotes from reputable insurance carriers will be obtained for each type of risk. The City anticipates aggressively marketing about one-third of its insurance coverage annually." In accordance with this requirement, Jester Insurance Services, Inc., aggressively marketed the City's liability insurance and worker's compensation insurance for the July 1, 1999 annual renewal. The City has previously received competitive rates on property insurance and crime insurance, and will aggressively market these coverages next year. The City's airport liability insurance was aggressively marketed last year and will be taken to market again in two years. The following is a description by category of the marketing of the City's insured portion of this program.

Property Insurance:

After compiling a list of all insurable property in the City, including the addition of several new buildings such as the City's new Park and Ride Facility, Fire Station No. 10, and the Wastewater Reclamation Facility (WRF) Laboratory, and the addition of the Skywalk System and the WRF Co-Generation Plant which were previously insured under separate policies, Jester Insurance Services, Inc. approached Federal Insurance Co. of the CHUBB Group, who is the City's current carrier, to insure a total replacement value of \$479,485,536. The total premium for this coverage is \$159,853.

Liability and Workers Compensation Insurance:

Jester Insurance Services, Inc. approached three markets for each of these coverage categories: Genesis Insurance Co. (the City's current carrier), AON Risk Resources, and AMGRIP. Both AON and AMGRIP are offices that represent multiple carriers. Jester Insurance Services, Inc. received quotes from all three markets. AON and AMGRIP submitted the most competitive quote that each received from the carriers they approached. The following summarizes the result of this marketing effort:

Liability Insurance:

<u>Market Approached</u>	<u>Premium Quoted</u>	<u>Agent/Staff Recommendation</u>
Genesis Insurance Co.	\$ 316,575	
AMGRIP	210,000	Approval
AON Risk Resources	233,000	

Worker Compensation Insurance:

<u>Market Approached</u>	<u>Premium Quoted</u>	<u>Agent/Staff Recommendation</u>
Genesis Insurance Co.	\$ 60,200	
AMGRIP	42,450	
AON Risk Resources	33,000	Approval

Total Insured Program:

The total premium of the recommendation for the July 1, 1999 annual renewal, adding in Airport Liability and Crime insurance, is \$487,962. This is a reduction from the premium paid in July 1, 1998 annual renewal of \$97,921. Including this renewal, the City has experienced a reduction in annual premiums of over \$200,000 over the past three years.

Attachment