



**CITY COUNCIL
COMMUNICATION:**

ITEM _____

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

00-273

SYNOPSIS -

AGENDA:

JUNE 19, 2000

SUBJECT:

ANNUAL
INSURANCE
RENEWAL FOR
JULY 1, 2000

TYPE:

RESOLUTION
ORDINANCE
RECEIVE/FILE

SUBMITTED BY:

KEVIN RIPER
FINANCE
DIRECTOR

MARK SCHULTZ
RISK MANAGER

On January 25, 1999, by Roll Call No. 99-261, the City Council approved an agent/broker professional services contract with Jester Insurance Services, Inc. (303 Keosauqua Way, Des Moines, IA 50309-1724; Robert E. Jester, President). On June 7, 1999, by Roll Call No. 99-1843, the City Council approved a proposed restructuring of the City's self-insurance program that included aggressively marketing about one-third of the City's insurance coverages annually. The purpose of these marketing efforts is to identify financially strong carriers that offer the best coverages for the most reasonable price.

Last year, the City directed the marketing of excess liability and excess workers compensation insurance coverages. This resulted in a \$97,921 savings to the City. This year the City directed the marketing of property and crime insurance coverages. This has resulted in a premium increase for crime insurance of \$385 and a premium increase of seven tenths of one penny per \$100 of replacement value coverage (3.2 cents to 3.9 cents per \$100) for property insurance, or \$53,285. The cause of most of this premium increase is the rate increase in property insurance which appears to be the result of rate increases being passed on to carriers by the reinsurance markets and the fact that the recommended carrier covers property located in a Class A Flood Zone as are many of the City's buildings. The remainder of the \$53,285 increase in total property insurance premium is due to adjusting the replacement values of properties upon which the premium is based.

Also included in this agenda item are the renewal premiums for special excess liability and excess workers compensation insurance (both marketed last year), airport liability insurance (to be marketed next year), and occupational medical costs for the City's HazMat unit and the Fire Department when providing mutual aid response. The premium for the latter is reimbursed to the City by the contracting communities. The premium for all of this year's renewals is estimated to be \$548,450. This is a 12.5 percent increase over last year's premium.

FISCAL IMPACT -

The premium costs associated with Citywide property/casualty insurance coverages are budgeted in the City's 2000/2001 Operating Budget: Public Works, pages 20-28; Engineering, pages 8-20, 8-37, 8-43, 8-44, 8-72; Fire, pages 10-17; Aviation, pages 3-11; Housing Services, pages 11-10; Finance, pages 9-73.

RECOMMENDATION -

Approval.

BACKGROUND -

Last year's marketing effort included excess liability and excess workers compensation insurance. This year's marketing effort is focused on property insurance and crime insurance coverages. Jester Insurance Services, Inc. approached six markets for property insurance coverage and five markets for crime insurance coverage. Of those markets approached, two quoted the entire package required by the City for property insurance and three quoted the City's crime insurance.

The total replacement value of City property to be covered as of July 1, 2000 is \$530,065,815. This value has risen over last year (\$481,681,955) as a result of: (1) adjusting building replacement value costs (\$31,455,067), and (2) adding new buildings to the policy (\$16,928,793). The total premium has risen from \$156,715 to \$210,000 due to: (1) the increase in premium charged (3.2 cents to 3.9 cents/\$100 of replacement value), and (2) adjustments made to property values. The adjustments made in replacement costs were based on a review made by all City departments of those properties under their control. Revised values for aquatic centers, community centers, and zoo exhibits and holding buildings comprised the majority of these adjusted costs. The addition of the new parking ramp at the airport made up most of the new building costs added.

The cost of this blanket property insurance policy fluctuates throughout the policy year as properties are added and deleted due to new construction and/or demolition. Next year's marketing focus will be airport liability insurance.

The following summarizes the result of this marketing effort:

PROPERTY INSURANCE (Current Premium: \$156,715):

<u>Market Approached</u>	<u>Premium Quoted</u>	<u>Agent/Staff Recommendation</u>	<u>A.M. Best</u>
Travelers Insurance	\$306,317		
Chubb Insurance	\$210,000	Approve	A++

CRIME INSURANCE (Current Premium: \$3,440):

<u>Market Approached</u>	<u>Premium Quoted</u>	<u>Agent/Staff Recommendation</u>	<u>A.M. Best</u>
Travelers Insurance	\$ 3,825	Approve	A+
Chubb Insurance	\$ 14,000		
EMC Insurance Cos.	\$ 4,500		

OTHER RENEWALS (Includes those marketed last year):

	<u>Current Premium</u>	<u>Renewal Premium</u>
SPECIAL EXCESS LIABILITY: AMGRIP (Royal/Sun Alliance Insurance)	\$210,000	\$210,000 (est.)
EXCESS WORKERS COMPENSATION: AON Risk Resources (CNA Insurance)	33,000	37,320 (est.)
FLOOD PLAIN (6 bldgs in Zone A): National Flood Insurance Program	8,565	9,154
HAZMAT/MUTAL AID: American International Group (AIG)	12,401	12,401
AIRPORT LIABILITY: Phoenix Aviation Managers	63,250	65,750
TOTAL ANNUAL RENEWAL:	\$487,371	\$548,450

The difference between last year's total premium and the current renewal is \$61,079, or 12.5 percent. Of that, \$53,285 is due to the increase in property insurance premiums as explained above. For all the other insurance coverages, total premiums increased \$7,794, or 2.4 percent.

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