

**CITY COUNCIL
COMMUNICATION:**

ITEM _____

02-345

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

AGENDA:

JUNE 25, 2002

SYNOPSIS -

On June 17, 2002, by Roll Call No. 02-1551, the City Council approved the City's annual insurance renewal package less two coverages: Special Excess Liability Insurance and Excess Workers Compensation Insurance. These coverages were not included because proposals from the carriers had not yet been received. Since that time, Jester Insurance Services, Inc. has received proposals and upon reviewing these has recommended that the City renew its Special Excess Liability Insurance with Genesis Insurance Company at an annual premium of \$384,300 and its Excess Workers Compensation Insurance with Employers Reinsurance Corp. at an annual premium of \$123,212. This represents an increase of 77 percent over last year.

SUBJECT:

ANNUAL
INSURANCE
RENEWAL FOR
JULY 1, 2002:
SPECIAL EXCESS
LIABILITY AND
EXCESS WORKERS
COMPENSATION

FISCAL IMPACT -

The premium costs associated with Citywide liability and workers compensation insurance coverages are budgeted in the City's 2002/2003 Operating Budget: Public Works, pp. 21-19, 21-22, 21-24, 21-25, 21-28, 21-37, 21-47; Engineering, p. 9-49; Fire, p. 11-11; Aviation, p. 4-11; Housing Services, p. 12-8; Parks, pp. 19-11, 19-13; Finance, p. 10-24.

TYPE:

RESOLUTION
ORDINANCE
RECEIVE/FILE

SUBMITTED BY:

MERRILL R.
STANLEY
FINANCE
DIRECTOR

RECOMMENDATION -

Approval.

MARK SCHULTZ
RISK MANAGER

BACKGROUND -

SPECIAL EXCESS LIABILITY:

The City covers its catastrophic liability exposures by purchasing Special Excess Liability Insurance. Under the City's program, the City is self-insured for the first \$1,000,000 of each claim and purchases insurance to cover the next \$20,000,000. This year, Jester Insurance

Services, Inc. contacted three major markets for proposals: Genesis (division of General Reinsurance), American International Group (AIG), and Royal (current carrier). The City's current premium for this coverage is \$242,610. The following presents the quotes of each of the proposals received:

<u>CARRIER</u>	<u>PREMIUM</u>	<u>LIMITS</u>	<u>RETENTION</u>
Genesis	\$384,300	\$10m/occurrence; \$20m aggregate	\$2m/occurrence
AIG (No Quote)			
Royal	\$229,000	\$ 1m/occurrence; \$1m aggregate	\$1m/occurrence

Staff recommends that the Council approve the proposal of Genesis Insurance Company. Even though the limits are lower and the City's self-insured retention (SIR) is higher, the coverage provided within those limits is excellent and at the best price the City can obtain at this time without increasing the City's SIR to \$3,000,000, an SIR the City maintained from Fiscal Year (FY) 1993-94 through FY1998-99.

EXCESS WORKERS COMPENSATION:

To cover the catastrophic costs of work related injuries, the City purchases Excess Workers Compensation Insurance. Under this program, the City is self-insured for the first \$450,000 of a claim and purchases insurance to cover any costs that exceed the SIR up to those limits required under Iowa law. Jester Insurance Services first contacted Genesis, AIG, and the City's current carrier Continental Casualty (a CNA insurance company) for proposals. Genesis and AIG were willing to quote, but they have begun capping their limits at \$10,000,000. Because statutory limits under Iowa law could exceed that amount given a serious event, Jester Insurance Services focused on Continental Casualty. However, when CNA informed Jester Insurance Services that Continental Casualty will no longer cover airport employees anywhere in the world as of July 1, 2002, Jester Insurance had to explore new markets. The City's current premium is \$44,965. The following presents the quotes of each proposal received:

<u>CARRIER</u>	<u>PREMIUM</u>	<u>LIMITS</u>	<u>RETENTION</u>
Employers Reinsurance	\$123,212	\$25m aggregate	\$450,000/injury

(Quote 1)			
Employers Reinsurance (Quote 2)	\$ 99,000	\$25m aggregate	\$1m/injury

Staff recommends that the Council approve the proposal of Employers Reinsurance with an SIR of \$450,000. Of all exposures the City has, a serious workers compensation claim, or more than one, are of a higher probability and staff recommends that the City maintain its SIR of \$450,000.

Attached is a five-year and ten-year historical review of the coverage levels purchased by the City. Also attached is a ten-year historical review of the total premiums paid by the City for all coverages purchased during that time. Finally, there is an attachment that compares the actual premium paid for Special Excess Liability Insurance and Excess Workers Compensation Insurance in FY2001-02, the amount budgeted for purchasing these coverages in FY2002-03 and the premiums being recommended for purchase in FY2002-03. This historical perspective is included to allow Council to view the current situation in a historical context so that Council may determine what level of liability it desires to accept in this current insurance market climate.

AIRPORT LIABILITY - WAR RISK & TERRORISM ENDORSEMENT

Also on June 17, 2002, Council approved renewing the Airport Liability War Risk and Terrorism Endorsement purchased last January to replace the endorsement that was cancelled by all aviation industry carriers after the September 11, 2001 terrorist attack. The premium for the endorsement renewal is \$96,538. Because the quote was received after the regular June meeting of the Airport Board, the Airport Board chose to hold a special meeting on June 24, 2002 so as to provide Council its recommendation on the renewal of Airport Liability Insurance including the War Risk and Terrorism Endorsement at the Council's special meeting scheduled for June 25, 2002. The Airport Board unanimously approved recommending renewal. A copy of the Airport Board Resolution is attached. No action on this is required by Council at the special meeting on June 25, 2002.

Attachments
