



# Council Communication

Office of the City Manager

Date

June 18, 2007

Agenda Item No. 38  
Roll Call No. 07-  
Communication No. 07-380  
Submitted by: Allen McKinley, Finance  
Director

## AGENDA HEADING:

Annual Insurance Renewal for July 1, 2007 Property and Casualty Insurance with Jester Insurance Services, Inc.

## SYNOPSIS:

To provide an incentive to insurance carriers to competitively quote City insurance coverages, the City annually markets about one-third of its property/casualty insurance coverages and maintains coverage with those carriers for about three years. This year, the City marketed its Airport liability Insurance coverage. In addition, the City is renewing its Property Insurance, Excess Liability Insurance, Crime Insurance, Flood Insurance, HazMat/Mutual Aid Occupational Injury Insurance and Excess Workers Compensation Insurance coverages (descriptions of each are included below). These coverages will remain with the current carriers.

The total premium for the July 1, 2007 renewal of property and casualty insurance coverages is \$1,030,180. This represents an increase of \$27,278, or 2.7 percent, over last year's renewal of \$1,002,902. This compares to the 12.4 percent decrease experienced at last year's renewal. Staff recommends approval of the attached Schedule of Insurance. The increase is made up primarily of a recommendation to increase Airport Liability limits from \$200,000,000 to \$250,000,000 per occurrence and aggregate and a seven percent increase in the replacement value of City property.

## FISCAL IMPACT:

Amount: \$ 1,030,180

### Funding Source: 2007-2008 Operating Budget:

- Tort Fund – Tort Liability GE005 FIN940500, Page 151.
- Parking Operations Fund – T&T Parking Administration EN051 ENG100701, Page 124.
- Solid Waste Operations Fund – Solid Waste Collection EN151 PWK100101, Page 304.
- Solid Waste Operations Fund – Curbside Recycling EN151 PWK100119, Page 306.
- Solid Waste Operations Fund – Compost EN151 PWK100104, Page 305.
- Sanitary Sewer Operations Fund – Des Moines – Sanitary Sewer Maintenance EN101 PWK071000, Page 295.
- Storm Water Utility Operations Fund – Des Moines- Storm Sewer Maintenance EN301 PWK071600, Page 311.
- Golf Operations Fund – Golf – Grandview EN201 PKS010704, Page 256.
- Golf Operations Fund – Golf – Waveland EN201 PKS010707, Page 257.
- Golf Operations Fund – Golf – A.H. Blank EN201 PKS010701, Page 255.

- Des Moines Public Housing Agency Fund – Housing Services – Administration SP350 HSG010000, Page 172.
- Airport Operations – Building Maintenance EN002 AIR040400, Page 68.
- Special Revenue Funds – Other Employee Benefits SP451 HRS961000, Page 189.

The proposed renewal premium of \$1,030,180 is \$59,585 less than the \$1,089,765 budgeted to fund this renewal. Of the \$1,030,180 in total renewal premium, \$994,511 is allocated between General Fund and Enterprise Fund operations. The remaining \$35,669 represents policies specific to the General Fund. Of the \$994,511 that is allocated, \$578,065, or 58.1 percent, is allocated to Enterprise Funds and \$416,446, or 41.2 percent, to the General Fund. The insurance coverage provided to the WRA by 28E Agreement is allocated on the same basis as if the WRA were an Enterprise Fund of the City. The WRA’s portion of the \$578,065 is estimated to be \$144,959, or 25.1 percent. A “Premium-to-Premium Comparison” chart attached shows the FY07 and FY08 allocation by Enterprise Fund and the General Fund.

**ADDITIONAL INFORMATION:**

A Schedule of Insurance is provided below indicating each line of coverage being renewed, the insurance carrier being recommended by staff, a comparison of last year’s premium to this year’s premium and the plus or minus difference between the two. The following is a brief description of this year’s renewal highlighting coverages and changes that have most significantly impacted the coverage being provided and the premium being charged:

Airport Liability Insurance:

The City carries Airport Liability Insurance to cover all Airport operations, except off-premise vehicle use which is covered under the City’s Excess Liability policy, as described below. The policy currently has a per occurrence and aggregate limit of \$200,000,000 with a \$10,000 deductible. On July 1, 2001, just prior to the 9/11/2001 terrorist attack, the City had increased its limits from \$150,000,000 to \$200,000,000 per occurrence and aggregate.

This year, Jester Insurance Services, Inc., the City’s insurance agency, solicited premium quotes from three insurance carriers, the City’s current carrier AIG Aviation (AIG), Phoenix Aviation Managers (PAM) and United States Aviation Underwriters, Inc.. United States Aviation Underwriters, Inc. declined to quote because it has decided to no longer insure airports. However, AIG and PAM both quoted the City three premium options:

	<u>\$200 million</u>	<u>\$250 million</u>	<u>\$300 million</u>
AIG	\$115,666	\$134,096	\$152,021
PAM	\$111,896	\$132,193	\$152,484

The above pricing is very competitive. While the easiest recommendation would be to remain at a limit of \$200,000,000 and take a savings of nearly \$22,000, Jester Insurance Services, Inc. has advised, and City staff concurs, that the City should consider taking advantage of this opportunity to increase its limit of coverage. Therefore, City staff recommends that the City increase the City’s Airport Liability limit to \$250,000,000. However, staff further recommends that even though the PAM quote is \$1,903 less than AIG’s quote, the continuity of claims administration and very good working relationship with AIG merits staying with AIG and outweighs the small financial benefit represented by PAM.

This same recommendation will be presented to the Airport Board at a special meeting being held the morning of Monday, June 18, 2007. The Airport Board's recommended action will be provided to Council prior to its Meeting that afternoon.

Excess Liability Insurance:

Currently, the City's Excess Liability Insurance coverage provides for a per occurrence limit of \$10,000,000 and an aggregate (policy maximum) limit of \$10,000,000. The City's per occurrence self-insured retention is \$2,000,000 for all operations other than the following Enterprise Fund operations: Solid Waste Collection and Recycling, Sanitary Sewers, Storm Water Utility and for Airport vehicles when driven off Airport premises. Each of these Enterprise Funds carries a \$2,000,000 Automobile Liability Insurance policy with a per occurrence deductible of \$3,000. The General Liability exposure of these funds is subject to the City's \$2,000,000 self-insured retention. However, because the Wastewater Reclamation Facility and Solid Waste facilities have restricted access to the public, the sanitary and storm sewers are primarily underground infrastructure and the Airport coverage is strictly for automobiles while being driven off of Airport premises, the General Liability exposure is sufficiently low that self-insuring is an appropriate and cost effective risk financing technique.

Excess Workers Compensation Insurance:

The City purchases Excess Workers Compensation Insurance to cover losses that exceed the City's \$450,000 per claim self-insured retention. This policy covers the indemnity (lost time wages and non-medical expenses) and medical expenses related to occupational injuries incurred by City employees, with the exception that only medical expenses are covered for sworn Police and Fire Department employees. Only medical expenses are included for Police and Fire because their indemnity expenses are covered under Chapter 411 of the Code of Iowa. Indemnity losses are funded through the Municipal Fire & Police Retirement System of Iowa to which the City is required to make financial contributions equal to a State-mandated percentage of salaries paid sworn Police and Fire personnel.

HazMat/Mutual Aid Workers Compensation Insurance:

The distinction between the HazMat/Mutual Aid Occupational Injury Insurance and the Excess Workers Compensation Insurance policies is that the HazMat/Mutual Aid Insurance covers Fire Department personnel when they respond to mutual aid requests. This coverage extends from the time Fire Department personnel leave their station to the time they return. For HazMat services, the cost of this coverage is apportioned to those counties having 28E Agreements with the City for these services. Therefore, this coverage is cost-neutral to the City. The City's Excess Workers Compensation Insurance covers Fire Department personnel when responding to City HazMat and Fire service needs within the City's limits.

Property Insurance:

The seven percent increase in the Property Insurance premium is primarily due to a three percent increase in the overall replacement value of all property to account for inflationary pressure on construction costs as well as to the addition of the following facilities: Airport stem and concourse expansions, two new skywalks, one new parking ramp; improvements to Crivaro, Ashby and Westchester Parks; the Brenton Skating Plaza, the newly remodeled East Side Library, a new Blank Park Zoo Service Building and including portions of the Des Moines Union Railroad Pedestrian Bridge . The total replacement value of City property increased from \$695,523,671 last fiscal year to \$742,617,128

this fiscal year, or \$47,093,457. The City has a per occurrence deductible of \$100,000, with the exception of the Armory Building, City Hall, Birdland Aquatic Center, Birdland Pool Filter Building, Animal Shelter and Main Library (until such time as other arrangements are made for its use). Because these locations were affected by the "Flood of '93" and are located on the City's levy system, the per occurrence deductible is \$500,000 for each of these facilities.

Flood Insurance:

To cover the additional per occurrence Property Insurance deductible of \$500,000 on the six facilities listed above, the City purchases flood insurance through the National Flood Insurance Program.

Crime Insurance:

To cover potential losses due to employee theft, computer fraud, robbery, etc., the City purchases Crime Insurance with a limit of \$1,000,000 per occurrence and a \$25,000 per occurrence deductible. No change in premium or coverage occurred at this renewal.

Staff's Recommendation:

Staff recommends Council approval of the following Schedule of Insurance:

Schedule of Insurance:

	<u>FY 06-07</u>	<u>FY 07-08</u>	<u>+(-)</u>
1. Special Excess Liability Insurance *(Everest National Insurance Co.)	\$ 202,930	\$190,780	(\$ 12,150)
2. Auto Liability Insurance (EFs listed above) *(St. Paul/Travelers Insurance Co.)	\$ 72,477	\$ 76,615	\$ 4,138
3. Airport Liability Insurance *(AIG Aviation)	\$ 133,531	\$ 134,096	\$ 565
4. Property Insurance *(Chubb Group – Federal Insurance Co.)	\$ 415,455	\$ 444,633	\$ 29,178
5. Crime Insurance *(Travelers Insurance Co.)	\$ 5,245	\$ 5,245	\$ -0-
6. Flood Insurance *(National Flood Insurance Program)	\$ 18,872	\$ 20,815	\$ 1,943
7. HazMat/Mutual Aid *(American International Group – AIG)	\$ 14,836	\$ 14,854	\$ 18
8. Excess Workers Compensation Insurance *(Safety National Casualty Corp)	<u>\$ 139,556</u>	<u>\$ 143,142</u>	<u>\$ 3,586</u>

Total \$1,002,902 \$1,030,180 \$ 27,278

\* Recommended insurance carrier

**PREVIOUS COUNCIL ACTION(S):**

Date: June 19, 2006

Roll Call Number: 06-1220

Action: Annual Insurance Renewal for July 1, 2007 Property and Casualty Insurance with Jester Insurance Services, Inc. (Council Communication No. 06-376) Moved by Kiernan to adopt. Motion Carried 7-0.

**BOARD/COMMISSION ACTION(S): AIRPORT BOARD**

Date: June 18, 2007

Roll Call Number: Yet to be determined – copy to be provided to Council prior to Council Meeting.

Action: A copy of Airport Board Resolution to be provided to Council prior to Council Meeting.

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:**

Annual Property and Casualty Insurance Renewal for July 1, 2008.