

 <p style="text-align: center;"><b>Council Communication</b> Office of the City Manager</p>	<b>Date:</b> June 28, 2010
	<b>Agenda Item No.</b> 28 <b>Roll Call No.</b> <u>10-1039</u> <b>Communication No.</b> <u>10-399</u> <b>Submitted by:</b> Allen McKinley, Finance Director

**AGENDA HEADING:**

Annual Insurance Renewal for July 1, 2010 - Property and Casualty Insurance.

**SYNOPSIS:**

To provide an incentive to insurance carriers to competitively quote City insurance coverages, the City normally markets about one-third of its property/casualty insurance coverages annually. This year, the City marketed its Enterprise Fund Automobile Liability Insurance as part of an extensive marketing effort on behalf of the WRA Board which shares some insurance coverage with the City. The City is renewing its Excess Workers Compensation Insurance, Excess Liability Insurance, Crime Insurance, Property Insurance, Airport Liability Insurance, HazMat/ Mutual Aid Occupational Injury Insurance and National Flood Insurance Program coverages with the current carriers.

The total premium for the July 1, 2010 renewal of property and casualty insurance coverages is \$958,079. This represents an increase of \$19,158, or 2%, over last year’s renewal of \$938,921. Staff recommends approval of the attached Schedule of Insurance.

**FISCAL IMPACT:**

Amount: \$958,079

Funding Source: 20010-2011 Operating Budget:

- Tort Fund – Tort Liability GE005 FIN940500, Page 113.
- Parking Operations Fund – T&T Parking Administration EN051 ENG100701, Page 88.
- Solid Waste Operations Fund – Solid Waste Collection EN151 PWK100101, Page 268.
- Solid Waste Operations Fund – Curbside Recycling EN151 PWK100119, Page 269.
- Sanitary & Storm Sewer Maintenance Fund – EN101 PWK071000 & EN301 PWK071600, Page 262.
- Golf Operations Fund – Golf – Golf Contracted Operations EN201 PKS010700, Page 218.
- Des Moines Public Housing Agency Fund – Housing Services – Administration SP350 HSG029000, Page 140.
- Airport Operations – Building Maintenance EN002 AIR040400, Page 26.
- Special Revenue Funds – Other Employee Benefits SP451 HRS961000, Page 151.

The proposed renewal premium of \$958,079 is \$44,283 less than the \$1,002,362 budgeted to fund this renewal. Of the \$958,079 in total renewal premium, \$438,656 (45.8%) is allocated to Enterprise Funds and \$508,044 (53.7%) is allocated to the General Fund and \$11,379 (1.2%) is allocated to I-JOBS projects to cover the premium of additional insurance required by I-JOBS. A “Budget to Premium

Comparison” chart is attached showing the Enterprise Fund and General Fund Breakdown of this year’s total renewal premium and budget.

### **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 description of this year’s renewal, highlighting coverages and changes that have most significantly impacted the coverage being provided and the premium being charged.

#### 1. Airport Liability Insurance:

The City’s current Airport Liability Insurance carrier is STARR Aviation. This coverage was marketed last year. The insurance policy includes a per occurrence and aggregate policy limit of \$250,000,000 and a \$10,000 per occurrence deductible. The renewal quote for this year’s renewal is \$80,626. This is a savings of \$839 or 1.0 percent compared to last year’s premium of \$81,465.

#### 2. Property Insurance:

The City’s current Property Insurance carrier is Travelers Insurance Company. This coverage was marketed last year. The insurance policy includes a per occurrence limit of \$250,000,000 and a \$100,000 per occurrence deductible. This policy continues to include Flood coverage up to \$5,000,000 with a \$500,000 deductible. The flood deductible is partially off-set by the purchase of National Flood Insurance at six high risk locations. This renewal also resulted in increasing several policy sub-limits from \$5,000,000 to \$10,000,000. The renewal quote for this year’s renewal is \$406,931. This compares to last year’s renewal premium of \$414,673. This is a savings of \$7,742 or 1.9 percent. Last year’s premium has been adjusted to reflect that the WRA purchased its own policy.

#### 3. Enterprise Fund Automobile Liability Insurance:

The City purchases Automobile Liability Insurance covering Solid Waste Collection and Recycling, Sanitary Sewers, Storm Water Utility and Housing Services vehicles as well as Airport vehicles when driven off Airport premises. This policy has a \$2,000,000 per occurrence limit with a deductible of \$5,000. This policy used to include the WRA but the WRA chose to purchase a separate policy this renewal since the premium would be the same as sharing a policy with the City. Therefore, the renewal quote for this year’s renewal is \$56,500. This compares to what would be last year’s equivalent renewal of \$55,775. This is an increase of \$725 or 1.3 percent.

#### 4. 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. Solid Waste Collection and Recycling, Sanitary Sewers, Storm Water Utility, Airport vehicles when driven off Airport premises, the WRA and Housing Services are also covered by this policy and premiums are allocated to each accordingly. Each of these Enterprise Funds carries a \$2,000,000 Automobile Liability Insurance policy to cover the self-insured retention. The General Liability exposure of these funds is self-insured except for the WRA which is purchasing a

General Liability policy. The renewal quote for this year's renewal is \$182,222. This compares to last year's premium of \$184,272. This is a savings of \$2,050 or 1.1 percent.

5. HazMat/Mutual Aid Workers Compensation Insurance:

The distinction between the HazMat/Mutual Aid Occupational Injury Insurance policy and the Excess Workers Compensation Insurance policy described below 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. This policy covers the self-insured retention included in the Excess Workers Compensation policy. 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 needs within the City's limits. The renewal quote for this year's renewal is \$18,444. This compares to last year's renewal premium of \$15,646. This is an increase of \$2,798 or 17.9 percent. This increase is primarily due to the insurance carrier's increasing the self-insured retention from \$450,000 to \$550,000.

6. Excess Workers Compensation Insurance:

The City purchases Excess Workers Compensation Insurance to cover losses that exceed the City's per occurrence self-insured retention. The self-insured retention for this policy increased this renewal from \$450,000 to \$550,000 because of one claim that will exceed this retention and another that is currently more than half of the 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 to sworn Police and Fire personnel. The renewal quote for this year's renewal is \$170,006. This compares to last year's renewal premium of \$154,685. This is an increase of \$15,321 or 9.9 percent.

7. Flood Insurance:

To cover the additional per occurrence Property Insurance flood deductible of \$500,000 required on the Animal Shelter, Birdland Aquatic Center, City Hall, the Armory and Principal Park, the City purchases flood insurance through the National Flood Insurance Program (NFIP). The NFIP policy on the old Main Library was discontinued when that facility was leased to The World Food Prize. The renewal quote for this year's renewal is \$25,321. This compares to last year's renewal premium of \$27,160. This is a savings of \$1,839 or 6.8 percent.

8. Crime Insurance:

To cover potential losses due to employee theft, computer fraud, robbery, etc., the City purchases Crime Insurance. In this year's renewal, the per occurrence limit of \$1,000,000 with a \$25,000 per occurrence deductible was increased to \$2,000,000 with a \$50,000 deductible. The renewal quote for this year's renewal is \$6,650. This compares to last year's premium of \$5,245. This is an increase of \$1,405 or 26.8 percent. However, in order to receive I-JOB grant funds from the Iowa Finance Authority (IFA), IFA requires all grantees that receive \$10,000,000 or more in grant funds to purchase \$10,000,000 in

Crime Insurance. Therefore, the additional \$8,000,000 in limits will cost an additional \$11,379 in premium. The additional premium will be allocated across the I-JOBS project to which this requirement pertains.

Staff's Recommendation:

Staff recommends Council approval of the following Schedule of Insurance:

Schedule of Insurance

	<u>FY 08-09</u>	<u>FY 09-10</u>	<u>+(-)</u>
1. Special Excess Liability Insurance *(Everest National Insurance Co.)	\$ 184,272	\$182,222	(\$ 2,050)
2. Auto Liability Insurance (EFs listed above) *(St. Paul/Travelers Insurance Co.)	\$ 55,775**	\$ 56,500	\$ 725
3. Airport Liability Insurance *(STARR Aviation)	\$ 81,465	\$ 80,626	(\$ 839)
4. Property Insurance *(Travelers Insurance Co.)	\$ 414,673**	\$ 406,931	(\$ 7,742)
5. Crime Insurance *(Travelers Insurance Co.)	\$ 5,245	\$ 18,029	\$ 12,784
6. Flood Insurance *(National Flood Insurance Program)	\$ 27,160***	\$ 25,321	(\$ 1,839)
7. HazMat/Mutual Aid *(American International Group – AIG)	\$ 15,646	\$ 18,444	\$ 2,798
8. Excess Workers Compensation Insurance *(Safety National Casualty Corp)	<u>\$ 154,685</u>	<u>\$ 170,006</u>	<u>\$ 15,321</u>
Total	\$ 938,921	\$ 958,079	\$ 19,158

\* Recommended insurance carrier

\*\* Adjusted to reflect WRA purchasing its own policy rather than sharing in City policy.

\*\*\* Adjusted to reflect having to add Principal Park to National Flood Insurance Program.

**PREVIOUS COUNCIL ACTION(S):**

Date: June 22, 2009

Roll Call Number: 09-1094

Action: Annual Insurance renewal for property and casualty insurance, July 1, 2009. (Council Communication No. 09-405) Moved by Vlassis to adopt. Motion Carried 7-0.

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

Date: June 1, 2010

Roll Call Number: Resolution #A10-107

Action: Approved staff recommendation for changing Airport Liability Insurance carrier.

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:**

Annual Property and Casualty Insurance Renewal for July 1, 2011.

ATTACHMENT

**BUDGET TO PREMIUM COMPARISON**

Description	Budgeted Premium FY10-11 Total	Quoted Premium FY10-11 Total	Difference
<b>Enterprise Fund Allocated Premiums:</b>			
Parking Garages	\$ 66,555	\$ 62,645	\$ 3,910
Solid Waste Collection	\$ 33,968	\$ 33,732	\$ 236
Solid Waste Recycling	\$ 3,353	\$ 3,205	\$ 148
WRA	\$ 31,241	\$ 22,931	\$ 8,310
Sanitary Sewer	\$ 38,699	\$ 42,111	\$ (3,412)
Storm Sewer	\$ 36,006	\$ 37,759	\$ (1,753)
Housing Services	\$ 25,375	\$ 26,049	\$ (674)
Airport	\$ 129,237	\$ 129,598	\$ (361)
Sub-total	\$ 364,434	\$ 358,030	\$ 6,404
<b>Enterprise Fund Unallocated Premium:</b>			
Airport Liability Policy	\$ 89,612	\$ 80,626	\$ 8,986
Total EF	\$ 454,046	\$ 438,656	\$ 15,390
Total GF	\$ 503,370	\$ 464,279	\$ 39,091
<b>TOTAL</b>	<b>\$ 957,416</b>	<b>\$ 902,935</b>	<b>\$ 54,481</b>
<b>General Fund Policies:</b>			
Flood (6 bldgs)	\$ 28,518	\$ 25,321	\$ 3,197
Haz Mat (mutual aid)	\$ 16,428	\$ 18,444	\$ (2,016)
Total	\$ 44,946	\$ 43,765	\$ 1,181
I-JOBS Projs Allocation	\$ -	\$ 11,379	\$ 11,379
<b>GRAND TOTAL</b>	<b>\$ 1,002,362</b>	<b>\$ 958,079</b>	<b>\$ 44,283</b>

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