



# Council Communication

Office of the City Manager

<b>Date:</b>	June 27, 2011
<b>Agenda Item No.</b>	34
<b>Roll Call No.</b>	<u>11-401</u>
<b>Communication No.</b>	<u>11-401</u>
<b>Submitted by:</b>	Scott E. Sanders, Finance Director

## AGENDA HEADING:

Annual Insurance Renewal for July 1, 2011 - 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 Excess Liability Insurance. The City is renewing its Excess Workers Compensation Insurance, Automobile Liability Insurance for enterprise funds, 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, 2011 renewal of property and casualty insurance coverages is \$1,054,632. This represents an increase of \$97,621, or 10.2% over last year's renewal of \$957,011. Staff recommends approval of the attached Schedule of Insurance.

## FISCAL IMPACT:

Amount: \$1,054,632

Funding Source: 2011-2012 Operating Budget:

- Tort Fund – Tort Liability, GE005, FIN940500, Page 116.
- Parking Operations Fund – T&T Parking Administration, EN051, ENG100701, Page 88.
- Solid Waste Operations Fund – Solid Waste Collection, EN151, PWK100101, Page 263.
- Solid Waste Operations Fund – Curbside Recycling, EN151, PWK100119, Page 264.
- Sanitary & Storm Sewer Maintenance Fund – EN101, PWK071000 & EN301, PWK071600, Page 256.
- Golf Operations Fund – Golf – Golf Contracted Operations, EN201, PKS010700, Page 214.
- Des Moines Public Housing Agency Fund – Housing Services – Administration, SP350 HSG029000, Page 142.
- Airport Operations – Building Maintenance, EN002, AIR040400, Page 26.
- Special Revenue Funds – Other Employee Benefits, SP451, HRS961000, Page 151.

The proposed renewal premium of \$1,054,632 is \$29,868 greater than the \$1,024,764 budgeted to fund this renewal. Premiums exceeded budget due to an unexpected increase in the City's Excess Workers Compensation Insurance premium (see below). Of the \$1,054,632 in total renewal premium, \$484,515 (45.9%) is allocated to Enterprise Funds, \$570,116 (54.1%) is allocated to the General Fund. 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. 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 \$83,346. This is an increase of \$2,720 or 3.4% compared to last year’s premium of \$80,626.

2. Property Insurance:

The City’s current Property Insurance carrier is Travelers Insurance Company. 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. The renewal quote for this year’s renewal is \$434,408. This is an increase of \$29,393 or 7.3% compared to last year’s premium of \$405,015. The increase is due to the increase in replacement values and in the premium rate on the total replacement value.

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. The renewal quote for this year’s renewal is \$59,602. This is an increase of \$3,102 or 5.5% compared to last year’s premium of \$56,500.

4. Excess Liability Insurance:

Currently, the City’s Excess Liability Insurance coverage provides for a per occurrence limit of \$10,000,000 with no aggregate limit for all liability except Public Officials Liability, which includes an aggregate (policy maximum) limit of \$10,000,000. The Wastewater Reclamation Authority (WRA) shares this policy with the City as a named insured. 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 and Housing Services are also covered by this policy, and premiums are allocated to each accordingly. Each of the Enterprise Funds is covered by a \$2,000,000 Automobile Liability Insurance policy to cover the self-insured retention. The General Liability exposure of these funds is self-insured. The WRA carries separate primary insurance policies with limits of \$2,000,000 each to cover the self-insured retention. The renewal quote for this year’s renewal is \$185,600. This is the same as last year’s premium \$185,600.

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 is the same as last year's premium of \$18,444.

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 last year 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 year, the insurance carrier increased the self-insured retention from \$550,000 to \$750,000 due to two more reported claims that are expected to exceed the current per claim self-insured retention. This policy covers the indemnity (present and future lost wages) 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 quote for this year's renewal is \$230,259. This is an increase of \$60,253 or 34.4% compared to last year's renewal premium of \$170,006. Over the past fourteen years (FY 1997 – FY 2011), the City's Excess Workers Compensation carriers have paid out \$2,791,310 in claims that have exceeded the City's self-insured retentions and the City has paid a total of \$1,568,302 in premiums. The difference of \$1,223,008 represents a City savings that would have been incurred if the City had chosen to not procure an Excess Loss policy.

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 renewal quote for this year's renewal is \$24,944. This is an increase of \$2,153 or 9.5% compared to last year's renewal premium of \$22,791.

8. Crime Insurance:

To cover potential losses due to employee theft, computer fraud, robbery, etc., the City purchases Crime Insurance. This policy provides a per occurrence limit of \$2,000,000 with a \$50,000 per occurrence deductible. The renewal quote for this year's renewal is \$6,650. This is the same as last year's renewal premium of \$6,650. However, in order to continue to satisfy the Iowa Finance Authority's I-JOB grant funds requirement that the City carries \$10,000,000 in Crime Insurance until all projects using I-JOB grants funds are completed, the City has to purchase an additional \$8,000,000 in limits at this renewal.

The renewal quote for the increased limit for this renewal is \$11,379. This is the same as last year’s premium of \$11,379.

Staff’s Recommendation:

Staff recommends Council approval of the following Schedule of Insurance and insurance carriers:

Schedule of Insurance

	<u>FY 10-11</u>	<u>FY 11-12</u>	<u>+(-)</u>
1. Special Excess Liability Insurance *(STARR Indemnity)	\$ 185,600	\$185,600	\$ -0-
2. Auto Liability Insurance (EFs listed above) *(St. Paul/Travelers Insurance Co.)	\$ 56,500	\$ 59,602	\$ 3,102
3. Airport Liability Insurance *(STARR Aviation)	\$ 80,626	\$ 83,346	\$ 2,720
4. Property Insurance *(Travelers Insurance Co.)	\$ 405,015	\$ 434,408	\$ 29,393
5. Crime Insurance *(Travelers Insurance Co.)	\$ 18,029	\$ 18,029	\$ -0-
6. Flood Insurance *(National Flood Insurance Program)	\$ 22,791	\$ 24,944	\$ 2,153
7. HazMat/Mutual Aid *(American International Group – AIG)	\$ 18,444	\$ 18,444	\$ -0-
8. Excess Workers Compensation Insurance *(Safety National Casualty Corp)	<u>\$ 170,006</u>	<u>\$ 230,259</u>	<u>\$ 60,253</u>
Total	\$ 957,011	\$ 1,054,632	\$ 97,621

**PREVIOUS COUNCIL ACTION(S):**

Date: June 28, 2010

Roll Call Number: 10-1039

Action: [Annual](#) Insurance Renewal for July 1, 2010 – Property and Casualty Insurance. ([Council Communication No. 10-399](#)) **Moved by Hensley to adopt. Motion Carried 7-0.**

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

Date: June 7, 2011

Roll Call Number: Resolution #A11-083

Action: Airport Board approved staff recommendation for renewing Airport Liability Insurance.

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:**

Annual Property and Casualty Insurance Renewal for July 1, 2012.

ATTACHMENT

BUDGET TO PREMIUM COMPARISON

Description	Budgeted Premium FY11-12 Total	Quoted Premium FY11-12 Total	Difference
<b><u>Allocated Premiums:</u></b>			
Parking Garages	\$ 64,610	\$ 63,386	\$ 1,224
Solid Waste Collection	\$ 34,555	\$ 35,885	\$ (1,330)
Solid Waste Recycling	\$ 4,038	\$ 4,348	\$ (310)
WRA	\$ 27,851	\$ 34,678	\$ (6,827)
Sanitary Sewer	\$ 46,536	\$ 50,348	\$ (3,812)
Storm Sewer	\$ 42,618	\$ 45,755	\$ (3,137)
Housing Services	\$ 27,073	\$ 21,052	\$ 6,021
Airport	\$ 139,901	\$ 145,717	\$ (5,816)
Sub-total EF	\$ 387,182	\$ 401,169	\$ (13,987)
Sub-total GF	\$ 505,705	\$ 526,728	\$ (21,023)
Total	\$ 892,887	\$ 927,897	\$ (35,010)
<b><u>Unallocated EF Premiums</u></b>			
Airport Liability Policy	\$ 84,657	\$ 83,346	\$ 1,311
<b><u>Unallocated GF Premiums</u></b>			
Flood (6 bldgs)	\$ 27,853	\$ 24,944	\$ 2,909
Haz Mat (mutual aid)	\$ 19,367	\$ 18,445	\$ 922
Sub-total EF	\$ 84,657	\$ 83,346	\$ 1,311
Sub-total GF	\$ 47,220	\$ 43,389	\$ 3,831
Total	\$ 131,877	\$ 126,735	\$ 5,142
Total EF	\$ 471,839	\$ 484,515	\$ (12,676)
Total GF	\$ 552,925	\$ 570,117	\$ (17,192)
<b>GRAND TOTAL</b>	<b>\$ 1,024,764</b>	<b>\$ 1,054,632</b>	<b>\$ (29,868)</b>

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