

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date:	June 24, 2013
	Agenda Item No.	34
	Roll Call No.	[]
	Communication No.	<u>13-335</u>
	Submitted by:	Scott E. Sanders, Finance Director

AGENDA HEADING:

Annual Insurance Renewal for July 1, 2013 – 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 Property Insurance and Excess Workers Compensation Insurance. The City is renewing its Excess Liability Insurance, Automobile Liability Insurance for enterprise funds, Crime Insurance, HazMat/Mutual Aid Occupational Injury Insurance and National Flood Insurance Program coverages with the current carriers.

The total premium for the July 1, 2013 renewal of property and casualty insurance coverages is \$1,045,185. This represents an increase of \$57,446, or 5.5%, over last year’s renewal of \$987,739. Staff recommends approval of the attached Schedule of Insurance.

FISCAL IMPACT:

Amount: \$1,045,185

Funding Source: 2013-2014 Operating Budget:

- Tort Fund – Tort Liability GE005 FIN940500, Page 96
- Parking Operations Fund – T&T Parking Administration EN051 ENG100701, Page 72
- Solid Waste Operations Fund – Solid Waste Collection EN151 PWK100101, Page 238
- Solid Waste Operations Fund – Curbside Recycling EN151 PWK100119, Page 239
- Sanitary & Storm Sewer Maintenance Fund – EN101 PWK071000 & EN301 PWK071600, Page 232
- Golf Operations Fund – Golf – Golf Contracted Operations EN201 PKS010700, Page 193
- Des Moines Public Housing Agency Fund – Housing Services – Central Office SP350 HSG029000, Page 126
- Special Revenue Funds – Other Employee Benefits SP451 HRS961000, Page 133

The proposed renewal premium of \$1,045,185 is \$20,882 less than the \$1,066,068 budgeted to fund this renewal. Of the \$1,045,185 in total renewal premium, \$325,878 (31.2%) is allocated to Enterprise Funds, \$719,308 (68.8%) 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. The General Fund allocation increased with the Airport no longer being a City Enterprise 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 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. Property Insurance:

The City's current Property Insurance carrier is Travelers Insurance Company. For this renewal, Jester Insurance Services contacted seven insurance carriers: Travelers, Alliant Public Entity, CHUBB, Affiliated FM, CNA, Zurich and Cincinnati. Of those contacted, two carriers offered competitive quotes: Travelers (\$408,523) and Alliant Public Entity (\$425,456). Of the other five, one did not respond and remaining four chose not to quote citing reasons that included the City's previous flood loss history. Jester and staff recommend approval of the Travelers renewal quote.

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 year's quote is an increase of \$22,566 or 5.8 percent compared to last year's premium of \$385,957. The increase is due to the increase in replacement values and in the premium rate on the total replacement value.

2. 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. 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 \$46,880. This is an increase of \$4,408 or 10.4 percent compared to last year's premium of \$42,472.

3. Excess Liability Insurance:

Currently, the City's Excess Liability Insurance coverage provides for a per occurrence limit of \$10,000,000 with an aggregate (policy maximum) limit of \$10,000,000 for Products-Completed, Public Officials and Employee Benefit. The City's per occurrence self-insured retention is \$2,000,000. Solid Waste Collection and Recycling, Sanitary Sewers, Storm Water Utility 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 renewal quote for this year's renewal is \$192,300. This is a \$6,800 or a 3.7 percent increase over last year's premium of \$185,500.

4. HazMat/Mutual Aid Workers Compensation Insurance:

The distinction between the HazMat/Mutual Aid Occupational Injury Insurance policies 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. The

cost of this coverage is apportioned to those counties having HazMat Services 28E Agreements with the City. Therefore, this coverage is cost-neutral to the City.

The renewal quote for this year is \$33,616. This is a \$52 increase over last year’s premium of \$33,564 equating to a 0.2 percent increase.

5. Excess Workers Compensation Insurance:

The City purchases Excess Workers Compensation Insurance to cover employee occupational injuries that exceed the City’s \$1,000,000 self-insured retention up to an amount not to exceed Iowa Statutory limits.

This policy covers the indemnity (present and future lost wages) and medical expenses related to occupational injuries incurred by City employees. Only medical expenses are included for Police and Fire because their indemnity expenses are covered under Chapter 411 of the Code of Iowa by the Municipal Fire & Police Retirement System of Iowa. The quote for this year’s renewal is \$315,256. This is an increase of \$21,872 or 7.5 percent over last year’s premium of \$293,384.

6. Flood Insurance:

To cover the additional per occurrence Property Insurance flood deductible of \$500,000 required on the Animal Shelter, Birdland Aquatic Center, the Birdland Aquatic Center Pump House, 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 \$30,581. This is an increase of \$1,748 or 6.1 percent compared to last year’s renewal premium of \$28,833.

7. 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 \$10,000,000 with different deductibles depending on the type of crime. The renewal price for this coverage is \$18,029, the same as last year.

Staff’s Recommendation:

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

	<u>Schedule of Insurance</u>		
	<u>FY 12-13</u>	<u>FY 13-14</u>	<u>DIFF+(-)</u>
1. Special Excess Liability Insurance *(STARR Indemnity)	\$ 185,500	\$ 192,300	\$ 6,800
2. Auto Liability Insurance (EFs listed above) *(Travelers Insurance Co.)	\$ 42,472	\$ 46,880	\$ 4,408
3. Property Insurance *(Travelers Insurance Co.)	\$ 385,957	\$ 408,523	\$ 22,566
4. Crime Insurance *(Travelers Insurance Co.)	\$ 18,029	\$ 18,029	\$ 0
5. Flood Insurance *(National Flood Insurance Program)	\$ 28,833	\$ 30,581	\$ 1,748
6. HazMat/Mutual Aid *(American International Group – AIG)	\$ 33,564	\$ 33,616	\$ 52
7. Excess Workers Compensation Insurance *(Safety National Casualty Corp)	<u>\$ 293,384</u>	<u>\$ 315,256</u>	<u>\$ 21,872</u>
Total	\$ 987,739	\$ 1,045,185	\$ 57,446

BUDGET TO PREMIUM COMPARISON

Description	Budgeted Premium FY13-14 Total	Quoted Premium FY13-14 Total	Difference
<u>Allocated Premiums:</u>			
Parking Garages	\$ 84,760	\$ 83,794	\$ 966
Solid Waste Collection	\$ 37,856	\$ 37,834	\$ 22
Solid Waste Recycling	\$ 5,314	\$ 5,279	\$ 35
WRA	\$ 32,470	\$ 48,298	(\$15,828)
Sanitary Sewer	\$ 48,399	\$ 55,405	(\$ 7,006)
Storm Sewer	\$ 52,038	\$ 60,735	(\$ 8,697)
Housing Services	\$ 36,302	\$ 34,533	\$ 1,769
Sub-total EF	\$ 297,139	\$ 325,878	(\$28,739)
Sub-total GF	\$ 705,046	\$ 655,111	\$ 49,935
Total	\$1,002,185	\$ 980,989	\$ 21,196
<u>Unallocated GF Premiums</u>			
Flood (6 bldgs)	\$ 30,275	\$ 30,581	(\$ 306)
Haz Mat (mutual aid)	\$ 33,608	\$ 33,616	(\$ 8)
Total	\$ 63,883	\$ 64,197	(\$ 314)
Total EF	\$ 297,139	\$ 325,878	(\$28,739)
Total GF	\$ 768,929	\$ 719,308	\$ 49,621
GRAND TOTAL	\$1,066,068	\$1,045,186	\$ 20,882

PREVIOUS COUNCIL ACTION(S):

Date: June 25, 2012

Roll Call Number: [12-0992](#)

Action: [Annual](#) insurance renewal with Jester Insurance Services, Inc. for July 1, 2012 – Property and Casualty Insurance. ([Council Communication No. 12-330](#)) Moved by Hensley to adopt. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S): NONE**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE**

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