

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date: June 23, 2014
	Agenda Item No. 35 Roll Call No. <u>14-0963</u> Communication No. <u>14-310</u> Submitted by: Scott E. Sanders, Assistant City Manager / Finance Director

AGENDA HEADING:

Annual insurance renewal for July 1, 2014 – Property and Casualty Insurance.

SYNOPSIS:

To provide an incentive to insurance carriers to competitively quote City insurance coverages, the City normally markets only a portion of its property/casualty insurance coverages annually. This year, the City marketed its Excess Liability Insurance. The City is renewing its Property Insurance, Automobile Liability Insurance for enterprise funds, Crime Insurance, Hazardous Materials/Mutual Aid Occupational Injury Insurance, Excess Workers Compensation Insurance and National Flood Insurance Program coverages with the current carriers.

The total premium for the July 1, 2014 renewal of property and casualty insurance coverages is \$1,133,223. This represents an increase of \$86,427, or 8.2%, over last year’s renewal of \$1,046,796. Staff recommends approval of the attached Schedule of Insurance.

FISCAL IMPACT:

Amount: \$1,133,223

Funding Source: 2014-2015 Operating Budget:

- Tort Fund – Tort Liability G005 ND405645, Page 89
- Parking Operations Fund – T&T Parking Administration E051 EG062085, Page 66
- Solid Waste Operations Fund – Solid Waste Collection E151 PW250430, Page 227
- Solid Waste Operations Fund – Curbside Recycling E151 PW250432, Page 228
- Sanitary & Storm Sewer Maintenance Fund – E101 PW247411 & E301 PW247413, Page 221 & 230
- Des Moines Public Housing Agency Fund – Housing Services – Central Office S350 HS120130, Page 108
- Special Revenue Funds – Other Employee Benefits S451 ND405649, Page 125

The proposed renewal premium of \$1,133,223 is \$28,989 more than the \$1,104,234 budgeted in March to fund this renewal. Of the \$1,133,223 in total renewal premium, \$340,174 (30.0%) is allocated to Enterprise Funds, \$793,049 (70.0%) 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. Property Insurance:

The City's Property Insurance was bid last year and the current carrier is Travelers Insurance Company. Travelers submitted a total premium renewal increase of 9.6%. The increase is due primarily to an anticipated loss of \$1.2 million for the Younker's fire damage to City skywalks and other property. The rate increase includes valuation increases in City property of 2%. The Property Insurance premium increased an additional 5% or just over \$20,000 due to the fire loss. Otherwise, the total premium increase would have been 4.6% (2% valuation increase and 2.6% natural rate increase). Subrogation is a possibility, but without clear distinction of fault, it is difficult to estimate how much and when funds might be returned to the City.

The City's broker, Jester Insurance, also priced the potential savings associated with raising the deductible from the current \$100,000 amount to \$250,000. The savings would have only been \$10,000 on a \$449,529 premium. Therefore, we are not recommending a change to the deductible.

The insurance policy has 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 high risk locations (see item #6). This year's quote is an increase of \$39,395 or 9.6% compared to last year's premium of \$410,134. Jester and staff recommend approval of the Travelers renewal quote.

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 is also with Travelers and has a \$2,000,000 per occurrence limit with a deductible of \$5,000. The renewal quote for this year's renewal is \$49,263. This is an increase of \$2,383 or 5.1% compared to last year's premium of \$46,880. Jester and staff recommend approval of the Travelers renewal quote.

3. Excess Liability Insurance:

The City's Excess Liability Insurance coverage is currently with Starr Indemnity. The policy 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 (see item #2). The General Liability exposure of these funds is self-insured.

Jester Insurance Services approached four (4) carriers of Excess Liability for this renewal. Two (2) of the carriers declined due to our existing low pricing and over exposures to similar markets. Starr Indemnity, the current provider, offered a renewal quote of \$182,500. This is a \$9,800 or a 5.4%

decrease over last year's premium of \$192,300. A second higher bid was received by Safety National for \$220,000. Jester and staff recommend approval of the Starr Indemnity renewal quote.

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 the same as last year at \$33,616. Jester and staff recommend approval of the renewal quote from the existing providers.

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 \$358,091. This is an increase of \$42,835 or 13.6% over last year's premium of \$315,256. Payrolls for the City were up 5.4% this year and the rate is up 7.8%, combining for the 13.6% increase in premium. The 7.8% rate increase is slightly higher than the typical 5% that we're seeing in the marketplace. This is due to the City's recent loss experience and the number of claims we have that have breached, or are threatening to breach, the SIR. Jester and staff recommend approval of the Safety National renewal quote.

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 \$44,724. This is an increase of \$14,143 compared to last year's renewal premium of \$30,581. The increase is due to flood losses occurring across the country. Principal Park is especially vulnerable located at the confluence of two (2) rivers and received a rate increase of five-fold from \$2,878 to \$14,621. Flood insurance must be maintained if there is ever a need to make a FEMA claim. Jester and staff recommend approval of the renewal quote.

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 \$5,000,000 with different deductibles depending on the type of crime. The per occurrence limit dropped from \$10,000,000 in prior years which was an unusually high requirement of recipients of I-Jobs grants. Those grant funded projects are now completed and the insurance requirement no longer applies. The renewal price for this coverage is \$15,500 reflecting a \$2,529 or a 16.4% decrease over last year's premium of \$18,029.

Staff's Recommendation: Council approval of the following Schedule of Insurance and insurance carriers:

<u>Schedule of Insurance</u>			
	<u>FY 13-14</u>	<u>FY 14-15</u>	<u>DIFF+(-)</u>
1. Special Excess Liability Insurance *(STARR Indemnity)	\$ 192,300	\$ 182,500	\$ (9,800)
2. Auto Liability Insurance (EFs listed above) *(Travelers Insurance Co.)	\$ 46,880	\$ 49,263	\$ 2,383
3. Property Insurance *(Travelers Insurance Co.)	\$ 410,134	\$ 449,529	\$ 39,395
4. Crime Insurance *(Travelers Insurance Co.)	\$ 18,029	\$ 15,500	\$ (2,529)
5. Flood Insurance *(National Flood Insurance Program)	\$ 30,581	\$ 44,724	\$ 14,143
6. HazMat/Mutual Aid *(American International Group – AIG)	\$ 33,616	\$ 33,616	\$ 0
7. Excess Workers Compensation Insurance *(Safety National Casualty Corp)	<u>\$ 315,256</u>	<u>\$ 358,091</u>	<u>\$ 42,835</u>
Total	\$ 1,046,796	\$ 1,133,223	\$ 86,427

BUDGET TO PREMIUM COMPARISON

Description	Budgeted Premium FY14-15 Total	Quoted Premium FY14-15 Total	Difference
<u>Allocated Premiums:</u>			
Parking Garages	\$ 72,302	\$ 91,677	(\$ 19,375)
Solid Waste Collection	\$ 40,269	\$ 41,568	(\$ 1,299)
Solid Waste Recycling	\$ 5,521	\$ 5,667	(\$ 146)
WRA	\$ 49,000	\$ 52,116	(\$ 3,116)
Sanitary Sewer	\$ 57,765	\$ 52,827	\$ 4,938
Storm Sewer	\$ 63,310	\$ 62,601	\$ 709
Housing Services	\$ 44,533	\$ 33,718	\$ 10,815
Sub-total EF	\$ 332,700	\$ 340,174	(\$ 7,474)
Sub-total GF	\$ 707,337	\$ 714,709	(\$ 7,372)
Total	\$1,040,037	\$1,054,883	(\$ 14,846)
<u>Unallocated GF Premiums</u>			
Flood (6 bldgs)	\$ 30,581	\$ 44,724	(\$ 14,143)
Haz Mat (mutual aid)	\$ 33,616	\$ 33,616	\$ 0
Total	\$ 64,197	\$ 78,340	(\$ 14,143)
Total EF	\$ 332,700	\$ 340,174	(\$ 7,474)
Total GF	\$ 771,534	\$ 793,049	(\$ 21,515)
GRAND TOTAL	\$1,104,234	\$1,133,223	(\$ 28,989)

PREVIOUS COUNCIL ACTION(S):

Date: June 24, 2013

Roll Call Number: [13-1001](#)

Action: [Annual](#) property and casualty insurance renewals. ([Council Communication No. 13-335](#))
Moved by Hensley to adopt. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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