

 <p style="text-align: center;"><b>Council</b> <b>Communication</b> Office of the City Manager</p>	<b>Date:</b> June 22, 2015
	<b>Agenda Item No.</b> 41 <b>Roll Call No.</b> <u>15-1048</u> <b>Communication No.</b> <u>15-337</u> <b>Submitted by:</b> Dan Ritter, Finance Director

**AGENDA HEADING:**

Annual insurance renewal for July 1, 2015 – Property and Casualty Insurance.

**SYNOPSIS:**

Authorization to purchase insurance coverage for 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 coverage with the current carriers. This is the annual renewal on insurance.

The total premium for the July 1, 2015 renewal of property and casualty insurance coverage is \$1,265,483. This represents an increase of \$92,073, or 7.8%, over last year’s renewal. Staff recommends approval of the Schedule of Insurance which is below.

**FISCAL IMPACT:**

Amount: \$1,265,483

Funding Source: 2016 Operating Budget:

- Tort Fund – Tort Liability G005 ND405645, Page 92
- Parking Operations Fund – T&T Parking Administration E051 EG062085, Page 72
- Solid Waste Operations Fund – Solid Waste Collection E151 PW250430, Page 225
- Solid Waste Operations Fund – Curbside Recycling E151 PW250432, Page 226
- Sanitary & Storm Sewer Maintenance Fund – E101 PW247411 & E301 PW247413, Page 219 & 228
- Des Moines Public Housing Agency Fund – Housing Services – Central Office S350 HS120130, Page 112
- Special Revenue Funds – Other Employee Benefits S451 ND405649, Page 127

**ADDITIONAL INFORMATION:**

The following is a description of this year’s renewal, highlighting coverage and changes that have most significantly impacted the coverage being provided and the premium being charged. Below that is a “Budget to Premium Comparison” chart showing the enterprise fund and general fund breakdown of this year’s total renewal premium and budget, and a Schedule of Insurance, indicating each line of coverage being renewed, the insurance carrier being recommended, and a comparison of this year premium to prior year premiums.

### 1. Property Insurance:

Travelers submitted a premium renewal quote of \$507,076, which is an increase of \$48,042 or 10.5% compared to the premium last year. 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, and two (2) separate refuse truck damage claims totaling over \$200,000 in losses. The rate increase includes valuation increases in City property of 3%.

The insurance policy has a per occurrence limit of \$250 million and deductibles for certain coverage that range from \$25,000 to \$250,000 per occurrence. This policy continues to include flood coverage in Zones other than A or V, up to \$5,000,000 with a \$250,000 or \$500,000 deductible, depending on the flood zone. The flood deductible is partially off-set by the purchase of National Flood Insurance at certain high risk locations that have sustained flood losses in prior years (see item #6).

### 2. Enterprise Fund Automobile Liability Insurance:

Travelers submitted a premium renewal quote of \$48,033, which is a decrease of \$1,230 or -2.6% compared to the premium last year, partly because there are fewer units covered under this policy than one (1) year ago. The policy for automobile liability insurance covers Solid Waste Collection and Recycling, Sanitary Sewers, Storm Water Utility, and Housing Services vehicles. The policy has a \$2,000,000 per occurrence limit with a deductible of \$5,000.

### 3. Excess Liability Insurance:

Starr Indemnity submitted a premium renewal quote of \$187,100, which is an increase of \$4,600 or 2.5% compared to the premium last year. The policy provides for a per occurrence and aggregate policy limit of \$10 million for General Liability, Products-Completed, Public Officials and Employee Benefit Liability. The City's per occurrence self-insured retention is \$2,000,000.

### 4. HazMat/Mutual Aid Workers Compensation Insurance:

The premium renewal quote was \$34,684, which is an increase of \$1,068 or 3% compared to the premium last year. 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 \$1,000,000 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.

### 5. Excess Workers Compensation Insurance:

Safety National submitted a premium renewal quote of \$391,755, which is an increase of \$33,664 or 9.4% compared to the premium last year. Payrolls for the City were up 2.4% this year and the rate is up 7%, combining for the 9.4% increase in premium. 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 self-insured retention.

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.

#### 6. National Flood Insurance:

To maintain FEMA reimbursement eligible, flood insurance is 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 is \$50,653. This is an increase of \$5,929, or 13% increase compared to the premium last year. The maximum coverage available under the NFIP is \$500,000 for each building and \$500,000 for contents. NFIP coverage must be maintained if there is ever a need to make a FEMA claim.

#### 7. Crime Insurance:

Travelers submitted a premium renewal quote of \$15,500, which is the same premium or no change compared to the premium last year. This policy covers potential losses due to employee theft, computer fraud, robbery, etc. This policy provides a per occurrence limit of \$5,000,000 with different deductibles depending on the type of crime.

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

<b>Schedule of Insurance</b>				
	<b>FY 13-14</b>	<b>FY 14-15</b>	<b>FY 15-16</b>	<b>Chg fr FY 14-15</b>
1. Excess Liability Insurance	\$192,300	\$182,500	\$187,100	\$4,600
*(STARR Indemnity)				
2. Auto Liability Insurance (Enterprise Fund)	\$46,880	\$49,263	\$48,033	(\$1,230)
*(Travelers Insurance Co.)				
3. Property Insurance	\$410,134	\$459,034	\$507,076	\$48,042
*(Travelers Insurance Co.)				
4. Crime Insurance	\$18,029	\$15,500	\$15,500	\$0
*(Travelers Insurance Co.)				
5. Flood Insurance	\$30,581	\$44,724	\$50,653	\$5,929
*(National Flood Insurance Program)				
6. HazMat/Mutual Aid	\$33,616	\$33,616	\$34,684	\$1,068
*(American International Group – AIG)				
7. Excess Workers Compensation Insurance	\$315,256	\$358,091	\$391,755	\$33,664
*(Safety National Casualty Corp)				
<b>Total</b>	<b>\$1,046,796</b>	<b>\$1,142,728</b>	<b>\$1,234,801</b>	<b>\$92,073</b>

**BUDGET TO PREMIUM COMPARISON**

<b>Description</b>	<b>Budgeted Premium FY15-16 Total</b>	<b>Quoted Premium FY15-16 Total</b>	<b>Difference</b>
<b><u>Allocated Premiums:</u></b>			
Parking Garages	\$ 92,989	\$ 101,545	(\$ 8,556)
Solid Waste Collection	\$ 44,984	\$ 43,759	\$ 1,225
Solid Waste Recycling	\$ 7,504	\$ 7,256	\$ 248
WRA	\$ 56,000	\$ 55,544	\$ 456
Sanitary Sewer	\$ 56,255	\$ 55,200	\$ 1,055
Storm Sewer	\$ 69,868	\$ 72,558	(\$ 2,690)
Housing Services	\$ 45,000	\$ 32,023	\$ 12,977
Sub-total EF	\$ 372,600	\$ 367,885	\$ 4,715
Sub-total GF	\$ 736,392	\$ 812,261	(\$ 75,869)
<b>Total</b>	<b>\$1,108,992</b>	<b>\$1,180,146</b>	<b>(\$ 71,154)</b>
<b><u>Unallocated GF Premiums</u></b>			
Flood (6 bldgs)	\$ 45,000	\$ 50,653	(\$ 5,653)
Haz Mat (mutual aid)	\$ 40,000	\$ 34,684	\$ 5,316
<b>Total</b>	<b>\$ 85,000</b>	<b>\$ 85,337</b>	<b>(\$ 337)</b>
Total EF	\$ 372,600	\$ 367,885	\$ 4,715
Total GF	\$ 821,392	\$ 897,598	(\$ 76,206)
<b>GRAND TOTAL</b>	<b>\$1,193,992</b>	<b>\$1,265,483</b>	<b>(\$ 71,491)</b>

**PREVIOUS COUNCIL ACTION(S): NONE**

**BOARD/COMMISSION ACTION(S): NONE**

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE**

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