

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date: June 27, 2016
	Agenda Item No. 40 Roll Call No. <u>16-1057</u> Communication No. <u>16-363</u> Submitted by: Dan Ritter, Finance Director

AGENDA HEADING:

Annual insurance renewal for July 1, 2016/17 – 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.

The total premium for the July 1, 2016 to 2017 renewal of property and casualty insurance coverage is \$1,235,253. This is an increase of \$452, and the FY 2016/17 budget allocates \$1,235,324 for insurance costs. Staff recommends approval of the 2016 Schedule of Insurance which is below.

FISCAL IMPACT:

Amount: \$1,235,253

Funding Source: Fiscal Year 2017 Operating Budget:

- Tort Fund – Tort Liability G005 ND405645, Page 92.
- Parking Operations Fund – Traffic and Transportation Parking Administration E051 EG062085, Page 72.
- Solid Waste Operations Fund – Solid Waste Collection E151 PW250430, Page 221.
- Solid Waste Operations Fund – Curbside Recycling E151 PW250432, Page 222.
- Sanitary & Storm Sewer Maintenance Fund – E101 PW247411 & E301 PW247413, Page 215 and 224.
- Des Moines Public Housing Agency Fund – Housing Services – Public Housing S350 HS120130, Page 112; Special Revenue Funds – Other Employee Benefits S451 ND405649, Page 123.

ADDITIONAL INFORMATION:

1. Property Insurance – Travelers submitted a premium renewal quote of \$513,219, which is an increase of \$6,143 over the expiring premium. The premium includes valuation increases in City property of 1.2% so actually the property rate per \$100 of property value remains the same.

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 \$59,543, which is an increase of \$11,510 compared to the premium last year. The increase is due to a higher number of units covered under this policy and to adverse loss experience. This policy for Automobile Liability insurance covers Solid Waste Collection and Recycling, Sanitary Sewers, Storm Water Utility, and Housing Services vehicles.
3. Excess Liability Insurance – The prior carrier Starr Indemnity is no longer writing this type of business, so the Excess Liability coverage was widely marketed this year. Staff is recommending accepting a proposal from Allied World with a premium quote of \$173,632, which is a decrease of \$13,468 compared to the expiring policy. This policy provides a per occurrence and aggregate policy limit of \$10 million for General Liability, Auto Liability, Law Enforcement Liability, and Public Officials Liability. The City's self-insured retention under this policy remains at \$2,000,000.
4. HazMat/Mutual Aid Workers Compensation Insurance – The renewal quote for this coverage is \$35,266, which is an increase of \$582 compared to the expiring policy. 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 during a response 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 option of \$380,512, which is a decrease of \$11,243 compared to the expiring policy. This is contingent upon increasing the Self-Insured Retention limit from \$1,000,000 to \$1,100,000. Estimated payrolls for the City are up 3.6% this year and the insurance rate is up 3%, which would cause an increase in premium. The City purchases Excess Workers Compensation Insurance to cover employee occupational injuries that exceed the City's current \$1,000,000 self-insured retention. 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 covered for Police and Fire personnel 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 – The City purchases flood insurance through the National Flood Insurance Program (NFIP). The renewal quote for this year is \$56,331. This is an increase of \$5,678 compared to the expiring policy. To maintain FEMA reimbursement eligible, flood insurance is required on the Animal Shelter, Birdland Aquatic Center, the Birdland Aquatic Center Filter Building, City Hall, the Armory, and Principal Park. The limit is the maximum coverage available under the NFIP, \$500,000 for each building and \$500,000 at each location 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 \$16,750, which is an increase of \$1,250 compared to the expiring policy. The increase is due mainly to a reported increase in employee count. This policy covers potential losses due to Employee Theft, Forgery, Robbery, Computer Fraud, etc.

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

Schedule of Insurance	FY 14-15	FY 15-16	FY 16-17	Change from 15-16
1. Property Insurance (Travelers Insurance Co)	\$459,034	\$507,076	\$513,219	\$6,143
2. Auto Liability Insurance (Travelers Insurance Co)	\$49,263	\$48,033	\$59,543	\$11,510
3. Excess Liability Insurance (Allied World)	\$182,500	\$187,100	\$173,632	(\$13,468)
4. HazMat/Mutual Aid (VFIS, Chartis, Mutual of Omaha)	\$33,616	\$34,684	\$35,266	\$582
5. Excess Workers Compensation Insurance (Safety National Casualty Corp)	\$358,091	\$391,755	\$380,512	(\$11,243)
6. Flood Insurance (National Flood Insurance Program)	\$44,724	\$50,653	\$56,331	\$5,678
7. Crime Insurance (Travelers Insurance Co)	\$15,500	\$15,500	\$16,750	\$1,250
Total	\$1,142,728	\$1,234,801	\$1,235,253	\$452

PREVIOUS COUNCIL ACTION(S):

Date: March 21, 2016

Roll Call Number: [16-0479](#)

Action: [Exception](#) to the procurement ordinance competitive bidding requirements for good cause and approving renewal amendment to Insurance Agent/Broker Services Contract with Jester Insurance Services, Inc. ([Council Communication No. 16-135](#)) Moved by Gatto to adopt. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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