

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date: June 25, 2018
	Agenda Item No. 38 Roll Call No. <u>18-1088</u> Communication No. <u>18-310</u> Submitted by: Bob Fagen, Finance Director

AGENDA HEADING:

Annual insurance renewal for July 1, 2018/19 – 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, National Flood Insurance Program, and cyber liability insurance.

The total premium, excluding the broker fee, for the July 1, 2018 to 2019 renewal of these insurance coverages is \$1,289,652. This is an increase of \$74,800 over 2017/18 insurance costs. Staff recommends approval of the 2018 Schedule of Insurance, which is below.

FISCAL IMPACT:

Amount: \$1,289,652

Funding Source: Fiscal Year 2018 Operating Budget:

- Tort Fund – Tort Liability G005 ND405645, Page 99.
- Parking Operations Fund – Traffic and Transportation Parking Administration E051 EG062085, Page 77.
- Solid Waste Operations Fund – Solid Waste Collection E151 PW250430, Page 219.
- Solid Waste Operations Fund – Curbside Recycling E151 PW250432, Page 220.
- Sanitary & Storm Sewer Maintenance Fund – E101 PW247411 & E301 PW247413, Page 213 and 222.
- Des Moines Public Housing Agency Fund – Housing Services – Public Housing S350. HS120130, Page 116; Special Revenue Funds – Other Employee Benefits S451 ND405649, Page 126.

ADDITIONAL INFORMATION:

1. Property Insurance – Travelers submitted a premium renewal quote of \$508,916, which is an increase of \$35,917 over the expiring premium. 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 offset 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 \$87,597 which is an increase of \$20,242 compared to the premium last year. The increase is due to a higher number of units covered under this policy (including HazMat response vehicles) as well as 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 – Allied World submitted a quote of \$180,922, which was an increase of \$6,687 compared to the FY 2018 expiring policy. This increase is primarily driven by a reduction of the self-insured retention for Public Housing to \$1,000,000. 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. Outside of Public Housing, 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 \$38,107, which remains unchanged from 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 is intended to cover the \$1,250,000 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 \$358,241, which is a decrease of \$30,963 compared to the expiring policy. Estimated payrolls for the City are up 2.8% this year and the rate per estimated payroll increased slightly; however, the City increased its self-insured retention to \$1,250,000 from \$1,100,000 resulting in a net decrease. The City purchases Excess Workers Compensation Insurance to cover employee occupational injuries that exceed the City's current 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 \$56,224. This is an increase of \$1,772 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. At most locations, 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 \$18,740, which is an increase of \$240 compared to last year. This policy covers potential losses due to Employee Theft, Forgery, Robbery, Computer Fraud, etc.
8. Cyber Liability Coverage – The City, for the first time, sought coverage over data security and general cyber-crimes. CFC Underwriters provided a premium quote of \$40,905 for FY2018/19. This coverage includes access to incident response experts as well as coverage for costs related to recovering data and bringing systems back online.

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

Schedule of Insurance	FY 16-17	FY 17-18	FY 18-19	Change from 17-18
1. Property Insurance (Travelers Insurance Co)	\$513,219	\$472,999	\$508,916	\$35,917
2. Auto Liability Insurance (Travelers Insurance Co)	\$59,543	\$67,355	\$87,597	\$20,242
3. Excess Liability Insurance (Allied World)	\$173,632	\$174,235	\$180,922	\$6,687
4. HazMat/Mutual Aid (VFIS, Chartis, Mutual of Omaha)	\$35,266	\$38,107	\$38,107	\$0
5. Excess Workers Compensation Insurance (Safety National Casualty Corp)	\$380,512	\$389,204	\$358,241	(\$30,963)
6. Flood Insurance (National Flood Insurance Program)	\$56,331	\$54,452	\$56,224	\$1,772
7. Crime Insurance (Travelers Insurance Co)	\$18,500	\$18,500	\$18,740	\$240
8. Cyber Liability Insurance (CFC Underwriters)	N/A	N/A	\$40,905	\$40,905
Total	\$1,237,003	\$1,215,351	\$1,289,652	\$74,800

PREVIOUS COUNCIL ACTION(S): NONE

Date: June 26, 2017

Roll Call Number: [17-1068](#)

Action: [Annual](#) Insurance Renewal for July 1, 2017 – Property and Casualty Insurance with Jester Insurance Services, Inc. ([Council Communication No. 17-520](#)) Moved by Hensley to adopt. Motion Carried 6-0.

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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