

MEMORANDUM

DATE: October 6, 2015

TO: William Stowe, CEO & General Manager
Peggy Freese, CFO

FROM: Donna Heckman, Senior Financial Analyst

SUBJECT: 2016 Corporate Insurance Renewals

Earlier this year, our corporate insurance broker, Arthur J. Gallagher Risk Management Services (AJG), began getting quotes for the November 1, 2015 renewals. We are seeing an increase of 5.36% in total premium expense for the 2016 renewal. Attached is the premium summary comparing expiring and renewal rates.

Property: The change in the 2016 renewal for Property was a premium increase of 2.12%. Our total insured property value remained flat for 2016. Our total premium increased from \$249,965 to \$255,262. We are working with AJG and Travelers on increasing our Business Income limits. This increase is the primary reason for the increased premium.

General Liability: Renewal premiums from OneBeacon are 8.4% higher than 2015. General Liability premiums are based upon estimated payroll, which is estimated to increase in 2016. The Automobile Liability policy is based upon number of vehicles owned by DMWW. Since the General Liability, Umbrella and Auto policies are generally bundled, below represents the total expiring and renewing premiums:

	<u>Expiring</u>	<u>Renewal</u>
General Liability	\$170,372	\$194,560
Umbrella		
1st Layer	58,895	61,699
2nd Layer	83,325	84,840
3rd Layer	18,804	19,000
Automobile	30,944	32,774
	<u>\$362,340</u>	<u>\$392,873</u>

D&O/Employment Practices Liability: It has been recommended by AJG that we sign a two year contract (billed annually).

Kidnap and Ransom: We are recommending that we drop this coverage. This coverage was initially purchased when we had international travel. The savings will be \$2,609.

Workers Compensation: Beginning January 1, 2014, we switched to self-insuring for Workers Compensation. While we have not been given quotes for our 2016 Excess Workers Compensation policy, we expect there to be about a 5% increase. This policy protects DMWW against catastrophic losses. Our total premium for the excess policy is expected to go from \$61,437 to around \$65,000. Another component of Workers Compensation is the amount paid to our TPA, Cottingham & Butler. This annual cost is expected to remain flat at \$9,500 per year. The final piece of our Workers Compensation costs are the claims themselves. These amounts are budgeted in the Corporate Insurance Work Plan and are expenses paid out of pocket by DMWW.

All of our other premiums remained fairly flat for the November 1, 2015 renewal. The total cost of renewing our coverage will increase from \$779,028 (for 2015) to \$820,820.

Board of Water Works Trustees of the City of Des Moines
Market Premium Summary
Policy Period: 11/1/2015 - 2016

Coverage	Expiring	Recommendation
	2014-2015	2015-2016
Property	Travelers	Travelers
Blanket Property Limit	\$379,540,139	\$374,158,693
Blanket Business Income	\$5,552,591	\$15,000,000
Flood Limit	\$5M / \$10M (varies by loc)	\$5M / \$10M (varies by loc)
Earthquake Limit	\$15,000,000	\$15,000,000
Flood Deductible	\$250,000	\$250,000
Earthquake Deductible	\$250,000	\$250,000
Deductible-All Other	\$100,000	\$100,000
Terrorism	Included	Included
Average Rate	0.064910	0.065593
Total Premium	\$249,965	\$255,262
Commission 0%	\$0	\$0
Inland Marine	Travelers	Travelers
Scheduled Equipment	\$1,210,342	\$1,263,794
Leased or Rented Items	\$125,000	\$125,000
Deductible	\$5,000	\$5,000
EDP Floater:		
Equipment Limit	\$2,900,000	\$2,900,000
Data/Media Limit	N/A	N/A
Extra Expense & Business Income	\$360,000	\$360,000
Flood and Earthquake Limit	\$2,000,000	\$2,000,000
Deductible	\$5,000	\$5,000
Flood and Earthquake Deductible	\$25,000	\$25,000
Total Premium	\$9,602	\$9,822
Commission 0%	\$0	\$0
Crime	Travelers	Travelers
Employee Dishonesty	\$1,000,000	\$1,000,000
Deductible	\$5,000	\$5,000
Annual Premium (3 year term - 2014/2017)	\$3,074	\$3,074
Commission 0%	\$0	\$0

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Coverage	Expiring	Recommendation
	2014-2015	2015-2016
General Liability	OneBeacon	OneBeacon
General Aggregate	\$2,000,000	\$2,000,000
Products CoOps Limit Aggregate	\$2,000,000	\$2,000,000
Occurrence Limit	\$1,000,000	\$1,000,000
Personal & Advertising Injury	\$1,000,000	\$1,000,000
Damage to Premises Rented to You	\$300,000	\$300,000
Medical Expense (Any one Person)	Excluded	Excluded
Deductible - BI & PD	\$25,000 each occurrence	\$25,000 each occurrence
Employee Benefit Occurrence	\$1,000,000	\$1,000,000
Employee Benefit Aggregate	\$3,000,000	\$3,000,000
Employee Benefit Deductible	\$1,000	\$1,000
Total Premium	\$170,372	\$194,560
Commission 0%	\$0	\$0
Automobile	OneBeacon	OneBeacon
Automobile Limit	\$1,000,000	\$1,000,000
Retained Limit/ Deductible	N/A	N/A
Uninsured/Underinsured Motorist Limit	\$1,000,000	\$1,000,000
Total # of units	94	95
Total Premium	\$30,944	\$32,774
Commission 0%	\$0	\$0
Umbrella	OneBeacon	OneBeacon
Limits of Liability	\$10,000,000	\$10,000,000
Retention Limit		
Total Premium	\$58,895	\$61,699
Commission 0%	\$0	\$0

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Coverage	Expiring	Recommendation
	2014-2015	2015-2016
2nd Layer Umbrella Liability	Axis	Axis
Limit of Liability	\$25,000,000	\$25,000,000
Retention	\$10,000,000	\$10,000,000
Premium	\$82,500	\$84,000
Surplus Lines Tax	\$825	\$840
Policy Fee		
Total Premium	\$83,325	\$84,840
Commission 0%	\$0	\$0
3rd Layer Umbrella Liability	Torus	Torus
Limit of Liability	\$15,000,000	\$15,000,000
Retention	\$35,000,000	\$35,000,000
Total Premium	\$18,804	\$19,000
Commission 0%	\$0	\$0
D&O/Employment Practices Liability	Cincinnati	Cincinnati
Directors & Officers Liability	\$10,000,000	\$10,000,000
Deductible	\$50,000	\$50,000
Employment Practices Liability	\$10,000,000	\$10,000,000
Deductible	\$50,000	\$50,000
Aggregate Limit	\$10,000,000	\$10,000,000
Fiduciary Liability	\$2,000,000	\$2,000,000
Deductible	\$0	\$0
Total Premium	\$40,876	\$40,788
Commission 1%	\$409	\$409
Kidnapping and Ransom	Hiscox	Not Recommended
Ransom	\$1,000,000	
Transit	\$1,000,000	
Expense Coverage	\$1,000,000	
Legal Liability Costs	\$1,000,000	
Deductible	\$0	
Total Premium (3 year prepaid - 15/18)	\$2,609 / 3 years	
Commission 0%	\$0	

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Coverage	Expiring	Recommendation
	2014-2015	2015-2016
Cyber Liability	Chartis	Chartis
Limit of Liability	\$1,000,000	\$1,000,000
Retention	\$25,000	\$25,000
Total Premium	\$13,540	\$14,142
Commission 15%	\$2,031	\$2,031
Flood - 2201 George Flagg Pkwy - Barn	Selective	Selective
Building Limit	\$200,000	\$200,000
Contents Limit	\$10,000	\$10,000
Retention	\$2,000	\$2,000
Total Premium	\$2,108	\$2,653
Commission 15%	\$316	\$398
Flood - 2201 George Flagg Pkwy - Maintenance	Selective	Selective
Building Limit	\$100,000	\$100,000
Contents Limit	\$20,000	\$20,000
Retention	\$1,500	\$1,500
Total Premium	\$1,209	\$1,719
Commission 15%	\$181	\$258
Flood - 2201 George Flagg Pkwy	Selective	Selective
Building Limit	\$500,000	\$500,000
Contents Limit	\$500,000	\$500,000
Retention	\$1,250	\$1,250
Total Premium	\$2,424	\$3,002
Commission 15%	\$364	\$450
Workers Compensation	Various	Various
Excess Liability Policy - MECC (2016 Renewal is estimated)	\$61,437	\$65,000
Third Party Administrator - Cottingham & Butler	\$9,500	\$9,500
Total Premium/Expense	\$70,937	\$74,500

**Board of Water Works Trustees of the City of Des Moines
Market Premium Summary
Policy Period: 11/1/2015 - 2016**

Coverage	Expiring	Recommendation
	2014-2015	2015-2016
Premium	Expiring	Recommendation
	2014/2015	2015/2016
COMBINED PREMIUMS	\$756,075	\$797,835
BROKER SERVICE FEE	\$24,500	\$24,500
Less Commission Received	-\$1,547	-\$1,515
Total Cost	\$779,028	\$820,820
	Excluding Workers' Comp Claims	Excluding Workers' Comp Claims