



**AGENDA ITEM FORM**

**SUBJECT: 2017 Corporate Insurance**

**SUMMARY:**

The renewal date for corporate insurance policies is November 1, 2016. The total premium cost and agency fees for the current and renewal programs are summarized below:

	<u>Current</u>	<u>Renewal</u>
• Property/Boiler & Machinery	\$255,262	\$263,316
• Inland Marine	9,822	9,845
• Flood	7,374	8,552
• Crime	3,074	3,074
• General Liability	194,560	234,882
• Auto Liability	32,774	33,483
• Umbrella Liability	165,539	184,222
• D & O/Employment Practices Liability	40,788	40,788
• Cyber Liability	14,142	14,142
• Workers Compensation*	76,375	81,725
• Broker Service Fee	24,500	24,500
• Less Commission Received	<u>(1,515)</u>	<u>(1,692)</u>
Total Cost	\$822,695	\$896,837

\*Estimated for the 1/1/2017 renewal

**FISCAL IMPACT:**

\$896,837 has been budgeted in the Financial Services work plan of the 2017 budget. Total in this work plan is \$1,300,000 which includes workers compensation claims and other related expenses.

**RECOMMENDED ACTION:**

Accept insurance program renewal submitted by Arthur J. Gallagher Risk Management Services, Inc.

**BOARD REQUIRED ACTION:**

Motion to accept insurance program renewal submitted by Arthur J. Gallagher Risk Management Services, Inc.

_____ / _____ Donna Heckman (date) Sr. Financial Analyst	_____ / _____ Peggy Freese, CPA (date) Chief Financial Officer	_____ / _____ Ted Corrigan, P.E. (date) Chief Operating Officer
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Attachments: Memo from Donna Heckman, Sr. Financial Analyst; spreadsheet showing recommendation from AJG.

**MEMORANDUM**

DATE: October 18, 2016

TO: William Stowe, CEO & General Manager  
Peggy Freese, Director of Finance

FROM: Donna Heckman, Senior Financial Analyst

SUBJECT: 2017 Corporate Insurance Renewals

Earlier this year our corporate insurance broker, Arthur J. Gallagher Risk Management Services (AJG), began getting quotes for the November 1, 2016 renewals. We are seeing an increase of \$74,000 in total premium expense for the 2017 renewal. Attached is the premium summary comparing expiring and renewal rates.

**Property:** The change in the 2017 renewal for Property was a premium increase of 3.16%. The premium from Travelers decreased on our renewal, however our total insured property value increased slightly. Our total premium increased from \$255,262 to \$263,316.

**General Liability:** Renewal premiums from OneBeacon are 15.20% higher than 2016. General Liability premiums are based upon estimated payroll, which is estimated to increase in 2017. The Automobile Liability policy is based upon number of vehicles owned by DMWW. Since the General Liability, Umbrella & Auto policies are generally bundled, below represents the total expiring and renewing premiums:

	<u>Expiring</u>	<u>Renewal</u>
General Liability	\$194,560	\$234,882
Umbrella		
1st Layer	61,699	73,632
2nd Layer	84,840	90,355
3rd Layer	19,000	20,235
Automobile	<u>32,774</u>	<u>33,483</u>
	\$392,873	\$452,587

**D&O/Employment Practices Liability:** In 2016, we signed a two-year contract for this coverage. We are in the second year of this contract.

**Workers Compensation:** Beginning 1/1/2014 we switched to self-insuring for Workers Compensation. While we have not been given quotes for our 2017 Excess Workers

Compensation policy, we expect there to be about an 8% increase. This policy protects DMWW against catastrophic losses. Our total premium for the excess policy is expected to go from \$66,875 to approximately \$73,000. 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, 2016 renewal. The total cost of renewing our coverage will increase from \$822,695 (for 2016) to \$896,837.

**Board of Water Works Trustees of the City of Des Moines**  
**Market Premium Summary**  
**Policy Period: 11/1/2016 - 2017**

<b>Coverage</b>	<b>Expiring</b>	<b>Recommendation</b>
	<b>2015-2016</b>	<b>2016-2017</b>
<b>Property</b>	<b>Travelers</b>	<b>Travelers</b>
Blanket Property Limit	\$374,158,693	\$393,889,190
Blanket Business Income	\$15,000,000	\$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	0.065593	0.064398
Total Premium	\$255,262	\$263,316
Commission 0%	\$0	\$0
<b>Inland Marine</b>	<b>Travelers</b>	<b>Travelers</b>
Scheduled Equipment	\$1,263,794	\$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	\$9,822	\$9,845
Commission 0%	\$0	\$0
<b>Crime</b>	<b>Travelers</b>	<b>Travelers</b>
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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<b>Coverage</b>	<b>Expiring</b>	<b>Recommendation</b>
	<b>2015-2016</b>	<b>2016-2017</b>
<b>General Liability</b>	<b>OneBeacon</b>	<b>OneBeacon</b>
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	\$194,560	\$234,882
Commission 0%	\$0	\$0
<b>Automobile</b>	<b>OneBeacon</b>	<b>OneBeacon</b>
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	95	95
Total Premium	\$32,774	\$33,483
Commission 0%	\$0	\$0
<b>Umbrella</b>	<b>OneBeacon</b>	<b>OneBeacon</b>
Limits of Liability	\$10,000,000	\$10,000,000
Retention Limit		
Total Premium	\$61,699	\$73,632
Commission 0%	\$0	\$0

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<b>Coverage</b>	<b>Expiring</b>	<b>Recommendation</b>
	<b>2015-2016</b>	<b>2016-2017</b>
<b>2nd Layer Umbrella Liability</b>	<b>Axis</b>	<b>Axis</b>
Limit of Liability	\$25,000,000	\$25,000,000
Retention	\$10,000,000	\$10,000,000
Premium	\$84,000	\$89,460
Surplus Lines Tax	\$840	\$895
Total Premium	\$84,840	\$90,355
Commission 0%	\$0	\$0
<b>3rd Layer Umbrella Liability</b>	<b>Torus</b>	<b>Torus</b>
Limit of Liability	\$15,000,000	\$15,000,000
Retention	\$35,000,000	\$35,000,000
Total Premium	\$19,000	\$20,235
Commission 0%	\$0	\$0
<b>D&amp;O/Employment Practices Liability</b>	<b>Cincinnati</b>	<b>Cincinnati</b>
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	\$40,788	\$40,788
Commission 1%	\$409	\$409
<b>Cyber Liability</b>	<b>Chartis</b>	<b>Chartis</b>
Limit of Liability	\$1,000,000	\$1,000,000
Retention	\$25,000	\$25,000
Total Premium	\$14,142	\$14,142
Commission 15%	\$2,031	\$2,031
<b>Flood - 2201 George Flagg Pkwy - Barn</b>	<b>Selective</b>	<b>Selective</b>
Building Limit	\$200,000	\$200,000
Contents Limit	\$10,000	\$10,000

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<b>Coverage</b>	<b>Expiring</b>	<b>Recommendation</b>
	<b>2015-2016</b>	<b>2016-2017</b>
Retention	\$2,000	\$2,000
Total Premium	\$2,653	\$3,224
Commission 15%	\$398	\$484
<b>Flood - 2201 George Flagg Pkwy - Maintenance</b>	<b>Selective</b>	<b>Selective</b>
Building Limit	\$100,000	\$100,000
Contents Limit	\$20,000	\$20,000
Retention	\$1,500	\$1,500
Total Premium	\$1,719	\$2,060
Commission 15%	\$258	\$309
<b>Flood - 2201 George Flagg Pkwy</b>	<b>Selective</b>	<b>Selective</b>
Building Limit	\$500,000	\$500,000
Contents Limit	\$500,000	\$500,000
Retention	\$1,250	\$1,250
Total Premium	\$3,002	\$3,268
Commission 15%	\$450	\$490
<b>Workers Compensation</b>	<b>Various</b>	<b>Various</b>
Excess Liability Policy - MECC (2017 Renewal is estimated)	\$66,875	\$72,225
Third Party Administrator - Cottingham & Butler	\$9,500	\$9,500
Total Premium/Expense	\$76,375	\$81,725

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**Policy Period: 11/1/2016 - 2017**

Coverage	Expiring	Recommendation
	2015-2016	2016-2017
Premium	Expiring	Recommendation
	2015-2016	2016-2017
COMBINED PREMIUMS	\$799,710	\$874,029
BROKER SERVICE FEE	\$24,500	\$24,500
Less Commission Received	-\$1,515	-\$1,692
Total Cost	\$822,695	\$896,837
	Excluding Workers' Comp Claims	Excluding Workers' Comp Claims