

MEMORANDUM

DATE: October 2, 2018

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

FROM: Donna Heckman, Senior Financial Analyst

SUBJECT: 2019 Corporate Insurance Renewals

Earlier this year, we went thru a RFP process for broker services. We decided to change our broker from Arthur J. Gallagher to LMC Risk Management based on cost. LMC recommended a full marketing of our insurance programs as it had not been done for several years.

We were notified in mid-August that our expiring General Liability carrier, One Beacon, was choosing to non-renew all our primary casualty lines. These lines include auto and GL along with the primary umbrella layer of \$10m. LMC worked very diligently to get DMWW competitive pricing for most of our lines. The only exception to this is the first layer of Umbrella Liability coverage.

For 2019, LMC recommends moving away from Travelers as our Property carrier. Cincinnati was very aggressive with their pricing for our property and general liability lines. We will see a savings of over 9% on these lines. The chart below represents the total expiring and renewing premiums for these two lines:

	<u>Expiring</u>	<u>Renewal</u>
Property	\$266,363	\$204,999
Inland Marine	9,845	13,663
General Liability	247,937	242,117
Automobile	35,132	46,673
Terrorism Premium	8,184	6,826
	<u>\$567,461</u>	<u>\$514,278</u>

Because of the non-renewal of the One Beacon General Liability lines, we are looking at a significant increase in the first layer of our Umbrella coverage. LMC is still working on getting us better pricing for the first layer coverage. The costs for the additional layers of umbrella remain flat. The expiring and renewal pricing is shown below.

Umbrella Coverage	<u>Expiring</u>	<u>Renewal</u>
1st Layer (\$10M)	\$74,644	\$200,370
2nd Layer (\$25M)	90,000	90,000
3rd Layer (\$15M)	<u>25,634</u>	<u>30,000</u>
	<u>\$190,278</u>	<u>\$320,370</u>

Workers Compensation: Beginning January 1, 2014, we began self-insuring for Workers Compensation. We have received a quote for our 2018 Excess Workers Compensation policy, although this policy does not renew until January 1st. This policy protects DMWW against catastrophic losses. Our total premium for the excess policy is expected to go from \$67,046 to approximately \$76,005. Another component of Workers Compensation is the amount paid to our third party administrator, 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.

With the quotes received at this time, the total cost of renewing our coverage will increase from \$925,866 (for 2018) to \$991,561. As noted above, LMC is still working to reduce the price of our first layer of umbrella coverage. Thus, our total cost may be reduced.

Board of Water Works Trustees of the City of Des Moines
Market Premium Summary
Policy Period: 11/1/2018 - 2019

	Expiring	Proposed
Coverage	2017-2018	2018-2019
Property	Travelers	Cincinnati
Blanket Property Limit	\$397,688,861	\$397,803,861
Blanket Business Income	\$15,000,000	\$15,000,000
Flood Limit	\$5M / \$10M (varies by loc)	\$5,000,000
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	0.064400	0.050100
Total Premium	\$266,363	\$204,999
Inland Marine	Travelers	Cincinnati
Scheduled Equipment	\$1,373,000	\$1,373,000
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
Total Premium	\$9,845	\$13,663

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Coverage	Expiring	Proposed
	2017-2018	2018-2019
General Liability	OneBeacon	Cincinnati
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	\$500,000
Medical Expense (Any one Person)	Excluded	\$10,000
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	\$247,937	\$242,117
Automobile	OneBeacon	Cincinnati
Automobile Limit	\$1,000,000	\$2,000,000
Retained Limit/ Deductible	N/A	N/A
Total # of units	95	97
Total Premium	\$35,132	\$46,673
Package Terrorism Premium	\$8,184	\$6,826
	\$567,461	\$514,278
Umbrella	OneBeacon	AIG
Limits of Liability	\$10,000,000	\$10,000,000
Retention Limit		
Total Premium	\$74,644	\$200,370

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Coverage	Expiring	Proposed
	2017-2018	2018-2019
2nd Layer Umbrella Liability	Great American	Great American
Limit of Liability	\$25,000,000	\$25,000,000
Retention	\$10,000,000	\$10,000,000
Total Premium	\$90,000	\$90,000
3rd Layer Umbrella Liability - Estimated	Torus	Markel/Navigators
Limit of Liability	\$15,000,000	\$15,000,000
Retention	\$35,000,000	\$35,000,000
Total Premium	\$25,634	\$30,000
Crime	Travelers	Travelers
Employee Dishonesty	\$1,000,000	\$1,000,000
Deductible	\$5,000	\$5,000
Annual Premium (3 year term - 2017/2020)	\$3,074	\$3,074
D&O/Employment Practices Liability	IronShore	Chubb
Directors & Officers Liability	\$5,000,000	\$10,000,000
Deductible	\$100,000	\$50,000
Employment Practices Liability	\$5,000,000	\$10,000,000
Deductible	\$100,000	\$50,000
Aggregate Limit	\$5,000,000	\$10,000,000
Total Premium	\$37,484	\$27,657
Excess D&O/Employment Practices Liability	RSUI	RSUI
Directors & Officers Liability	\$5,000,000	\$10,000,000
Deductible		\$50,000
Total Premium	\$22,390	\$17,709
Fiduciary Liability	Travelers	Travelers
Fiduciary Liability Limit of Liability	\$2,000,000	\$2,000,000
Settlement Program Limit of Liability	\$250,000	\$250,000
HIPAA Limit of Liability	\$1,000,000	\$1,000,000
Deductible	\$0	\$0

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	Expiring	Proposed
Coverage	2017-2018	2018-2019
Total Premium	\$4,612	\$4,703
Cyber Liability	AIG	AIG
Limit of Liability	\$1,000,000	\$1,000,000
Retention	\$25,000	\$25,000
Total Premium	\$14,142	\$6,805
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	\$3,936	\$4,838
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	\$2,480	\$3,016
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	\$3,463	\$3,606
Workers Compensation	Various	Various
Excess Liability Policy - MECC (2018 Renewal is estimated)	\$67,046	\$76,005
Third Party Administrator - Cottingham & Butler	\$9,500	\$9,500
Work Comp Claims		
Total Premium/Expense	\$76,546	\$85,505

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	Expiring	Proposed
Coverage	2017-2018	2018-2019
Premium		
COMBINED PREMIUMS	\$925,866	\$991,561
BROKER SERVICE FEE	\$24,500	\$15,000
Additional Broker Fee (based upon savings to DMWW)		\$0
Total Insurance Premiums & Fees	\$950,366	\$1,006,561
Work Comp Claims & Administration (Est)	\$309,500	\$309,500
Total Insurance - Including Work Comp	\$1,259,866	\$1,316,061
Total Corporate Insurance Budgeted	\$1,266,500	\$1,261,500