

COUNCIL COMMUNICATION

From: The City Manager

Subject: Insurance proposals for the City's Commercial General Liability, Law Enforcement Liability, Public Official Liability and Automobile Liability, Automobile Physical Damage and Excess Umbrella Liability Policy and Excess Workers' Compensation

Manager's Recommendation:

I recommend approval of the insurance proposals under Option #4 with Lloyd's of London, under their London Public Entity Package Policy, for the City's Commercial General Liability, Law Enforcement Liability, Public Officials Liability and Automobile Liability; Option #1 with Amerisure Insurance Company for Automobile Physical Damage; Option #2 with Lexington Insurance Company for Excess Liability Policy; and Option #2 with Safety National Casualty Corporation for Excess Workers' Compensation & Employers Liability, effective July 1, 2008 through July 1, 2009, and that I, and/or my designee, be authorized to execute any and all necessary insurance documents under the plans as necessary throughout the policy term, including, but not limited to, removing and/or adding automobiles as the City acquires and/or disposes of same.

Coverage documents, policy changes and contracts to implement the new insurance are approved subject to the City Manager's approval as to substance and the City Attorney's approval as to form.

Funds for the insurance premiums are budgeted and spread over all departmental budgets. General and excess liability policies are charged against the division and/or department's budget pursuant to its size. Auto physical damage is charged to each division and/or department based on the number of vehicles assigned.

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Justification:

Recently, Saginaw Bay Underwriters obtained quotes from the City's current insurance providers and various other insurance providers for Commercial General Liability, Law Enforcement Liability, Public Officials Liability, Automobile Liability, Excess Liability and Excess Workers' Compensation & Employers Liability. Their inquiries resulted in the following options:

Description of Coverage	Expiring Premium 07/08	Option #1 Renewal Premium	Option #2 Premium	Option #3 Premium	Option #4 Premium
Commercial General Liability, Law Enforcement Liability, Public Officials Liability and Automobile Liability	<u>Genesis</u> \$283,364.00 \$250,000 SIR	<u>Genesis</u> \$298,400.00 \$250,000 SIR	<u>ACE</u> \$271,125.00 \$250,000 SIR	<u>Markel</u> \$251,125.00 \$250,000 SIR	<u>Lloyd's</u> \$235,750.00 \$250,000 SIR

Description of Coverage	Expiring Premium 07/08	Option #1 Renewal Premium	Option #2 Renewal Premium	Option #3 Premium	Option #4 Premium
Automobile Physical Damage	<u>Amerisure</u> \$135,121.00 \$1,000 deductible City at fault	<u>Amerisure</u> \$130,217.00 \$1,000 deductible City at fault	<u>Amerisure</u> \$121,356.00 \$2,000 deductible City at fault	<u>Citizens</u> \$119,446.00 \$2,500 deductible City at fault	<u>Citizens</u> \$107,897.00 \$5,000 deductible City at fault

Description of Coverage	Expiring Premium 07/08	Option #1 Renewal Premium	Option #2 Renewal Premium
Umbrella Surplus Lines Tax Limit:	<u>Everest-1st</u> \$194,590.00 N/A \$10,000,000	<u>Everest-1st*</u> Was approached to write entire \$20,000 but was not competitive.	<u>Lexington</u> \$200,000.00 5,000.00 \$20,000,000
Umbrella Surplus Lines Tax Limit:	<u>Allied-2nd</u> \$ 63,560.00 1,614.00 \$10,000,000		
Description of Coverage	Expiring Premium 07/08	Option #1 Renewal Premium	Option #2 Renewal Premium-2 Yr

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<i>Safety National</i> Excess Worker's Compensation	\$ 34,031.00	\$ 34,528.00	\$ 33,987.00
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Commercial General Liability, Law Enforcement Liability, Public Officials Liability and Automobile Liability: The City currently contracts with Genesis Insurance Company for these policies. The Genesis premium in FY2007-2008 was \$283,364. Genesis quoted a premium of \$298,400 for FY2008-2009, which is an increase of \$15,036. Quotes were also received from ACE (\$271,125), Markel (\$251,125) and Lloyd's (\$235,750) Insurance Companies. All quotes received were based on a \$250,000 SIR. In selecting the Lloyd's of London quote, the City will save \$47,614 over last year's premium. The City will be provided with the same coverage as it had with Genesis. As such, the quote received from Lloyd's is being recommended.

Auto Physical Damage. In FY2007-2008, the City contracted with Amerisure Insurance Company for auto physical damage at a premium of \$135,121. Amerisure has submitted a premium quote of \$130,217 for FY2008-2009, which is a savings of \$4,904. This quote is based on maintaining the \$1,000 deductible when the City driver is at fault. The City could further reduce the premium rate with Amerisure by \$8,861 by increasing the deductible to \$2,000 however there were 12 accidents in the past fiscal year whereby the City driver was at fault. Given this history, it would not be feasible to choose this option. The only other quote received was from Citizens Insurance for an annual premium of \$119,446 with a \$2,500 deductible. It is therefore recommended the City maintain its current policy with Amerisure for an annual premium of \$130,217.

Umbrella Policy. In FY2007-2008, the City had policies with Everest National Insurance Company (\$194,590) and Allied World Assurance Company (U.S.) Inc.,

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(\$63,560 plus \$1,614 surplus lines tax) to provide an additional \$10,000,000 each in umbrella liability coverage for a total cost of \$249,764. In the past, it was necessary for the City to purchase two separate policies at \$10,000,000 each to obtain the amount of coverage necessary, however, this year the City received a quote from Lexington Insurance Company for \$20,000,000 in coverage at a premium of \$200,000 plus surplus lines tax of \$5,000, or a total of \$205,000. I recommend the Lexington policy for a premium savings of \$44,764.

Excess Workers Compensation. The City has contracted with Safety National Casualty Corporation for Excess Workers' Compensation for many years. Last year, the City's premium for this coverage was \$34,031. Safety National has quoted a premium for FY2008-2009 of \$34,528, however if the City agrees to renew for a 2-year option, Safety National will reduce the premium to \$33,987.00, a savings over last year of quote \$44.00 and this year's quote \$541.00. Given the foregoing the 2-year option is recommended.

Below is a summary of the savings in premiums being recommended:

Type of Insurance	FY07-08 Premiums	FY08-09 Premiums
Commercial General Liability, Law Enforcement Liability, Public Officials Liability and Automobile Liability	\$283,364	\$235,750
Automobile Physical Damage	\$135,121	\$130,217
Umbrella Liability Coverage	\$259,764	\$205,000
Excess Worker's Compensation	\$34,031	\$ 33,987
TOTAL	\$712,280	\$604,954

All insurance carriers have excellent ratings according to the Best Guide, which determines the financial stability of insurance companies, and the quotes received were comparable to those of the industry standards.

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As in the past, the City has opted to exclude coverage for terrorism losses under the Terrorism Risk Insurance Act of 2002 as part of its liability insurance, however, Saginaw Bay Underwriters is in the process of reviewing other insurance for acts of terrorism which will better provide the coverage more specific to the City's needs.

Council Action:

Council____ _____ moved that the recommendation from the City Manager be approved.