

**MEMORANDUM**

DATE: October 6, 2020

TO: Ted Corrigan, CEO & General Manager  
Peggy Freese, CFO

FROM: Donna Heckman, Senior Financial Analyst

SUBJECT: 2021 Corporate Insurance Renewals

Earlier this year, our corporate insurance broker, LMC Insurance & Risk Management began getting quotes for our November 1, 2020 renewals. Early on in the renewal process it came to our attention that our Property carrier, Cincinnati, would no longer be offering flood coverage. Since then, LMC has been searching the market for viable options. LMC is continuing their work securing coverage and will provide an update at the Finance and Audit Committee Meeting. Attached is the current premium summary comparing expiring and renewal rates. Currently, we are seeing an 8.34% increase in premiums. This will change slightly once the flood insurance is finalized.

**Property & General Liability:** The change for the Property renewal was an increase of just over 2%. The premium from Cincinnati remained flat on our renewal, however our total insured property value increased slightly. General Liability premiums are based upon estimated payroll, which is estimated to increase in 2021. The Automobile Liability policy is based upon number of vehicles owned by DMWW. This number increased in 2020. Since all of these policies have been bundled with Cincinnati as the carrier, the chart below represents the total expiring and renewing premiums.

	<u>Expiring</u>	<u>Renewal</u>
Property	\$214,069	\$213,678
Inland Marine	18,495	19,599
General Liability	264,865	265,439
Automobile	51,994	62,275
Terrorism Premium	7,260	7,374
	<u>\$556,683</u>	<u>\$568,365</u>

**Umbrella Liability:** DMWW has three layers of Umbrella Liability coverage above our standard General Liability policy above. The costs and coverages are below:

Umbrella Coverage	Coverage	Expiring	Renewal
1st Layer	\$10,000,000	\$122,271	\$144,146
2nd Layer	\$15,000,000	62,000	75,000
3rd Layer	\$25,000,000	53,708	80,250
		<u>\$237,979</u>	<u>\$299,396</u>

**Fiduciary Liability:** In the 2020 renewal, we increased the limits on our Fiduciary Liability policy. This policy covers civil damages and legal fees arising from lawsuits against pension benefit administrators. We are in the second year of a three-year term with a premium of \$5,723/year.

**Cyber Liability:** In the 2020 renewal we looked at benchmarking how much coverage we should maintain for Cyber Liability. We increased our coverage to \$5,000,000. LMC recommends working our way up to \$10,000,000 in coverage to cover more risk. Because the market is competitive right now, LMC has suggested increasing our coverage to \$10,000,000, with a \$50,000 retention. If we stay with our coverage at \$5,000,000, the increase on this policy would be from \$21,075 to \$23,169. However, if we choose to increase our coverage, the estimated cost of this increase would be an additional \$18,000 to \$20,000.

**Workers Compensation:** Beginning January 1, 2014, we began self-insuring for Workers Compensation. DMWW is in the second year of a two-year contract with MECC to provide the excess Workers Compensation Liability Policy. This policy protects DMWW against catastrophic losses. 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.

**Board of Water Works Trustees of the City of Des Moines**

**Market Premium Summary**

**Policy Period: 11/1/2020 - 2021**

Coverage	Expiring	Proposed
	2019-2020	2020-2021
<b>Property</b>	<b>Cincinnati</b>	<b>Cincinnati *</b>
Blanket Property Limit	\$428,423,567	\$443,241,258
Blanket Business Income	\$15,000,000	\$15,000,000
Flood Limit	\$5M / \$10M (varies by loc)	\$100,000
Earthquake Limit	\$15,000,000	\$15,000,000
Flood Deductible	\$250,000	
Earthquake Deductible	\$250,000	\$250,000
Deductible-All Other	\$100,000	\$100,000
Terrorism	Included	Included
Average Rate	0.046400	0.044700
Total Premium	<b>\$214,069</b>	<b>\$213,678</b>
Commission	<b>(\$1,986)</b>	<b>(\$1,982)</b>
<b>Inland Marine</b>	<b>Cincinnati</b>	<b>Cincinnati</b>
Scheduled Equipment	\$1,837,515	\$1,934,196
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
Deductible	\$5,000	\$5,000
Total Premium	<b>\$18,495</b>	<b>\$19,599</b>
Commission	<b>(\$185)</b>	<b>(\$196)</b>
<b>General Liability</b>	<b>Cincinnati</b>	<b>Cincinnati</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	\$500,000	\$500,000
Medical Expense (Any one Person)	\$10,000	\$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	<b>\$264,865</b>	<b>\$265,439</b>
Commission	<b>(\$2,649)</b>	<b>(\$2,654)</b>
<b>Automobile</b>	<b>Cincinnati</b>	<b>Cincinnati</b>
Automobile Limit	\$2,000,000	\$2,000,000
Retained Limit/ Deductible	N/A	N/A
Total # of units	98	100
Total Premium	<b>\$51,994</b>	<b>\$62,275</b>
Commission	<b>(\$520)</b>	<b>(\$623)</b>
<b>Package Terrorism Premium</b>	<b>\$7,260</b>	<b>\$7,374</b>
	\$556,683	\$568,365
<b>Umbrella</b>	<b>Allied Public Risk</b>	<b>Allied Public Risk</b>
Limits of Liability	\$10,000,000	\$10,000,000
Retention Limit	\$10,000	\$10,000
Total Premium	<b>\$122,271</b>	<b>\$144,146</b>

**Board of Water Works Trustees of the City of Des Moines**

**Market Premium Summary**

**Policy Period: 11/1/2020 - 2021**

Coverage	Expiring	Proposed
	2019-2020	2020-2021
<b>2nd Layer Umbrella Liability</b>	<b>Great American</b>	<b>Great American</b>
Limit of Liability	\$15,000,000	\$15,000,000
Retention	\$10,000,000	\$10,000,000
Total Premium	<b>\$62,000</b>	<b>\$75,000</b>
<b>3rd Layer Umbrella Liability - Estimated</b>	<b>Westchester Fire</b>	<b>Westchester Fire</b>
Limit of Liability	\$25,000,000	\$25,000,000
Retention	\$25,000,000	\$25,000,000
Total Premium	<b>\$53,708</b>	<b>\$80,250</b>
<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 - 2020-2023)	<b>\$3,074</b>	<b>\$3,200</b>
<b>D&amp;O/Employment Practices Liability</b>	<b>Chubb</b>	<b>Chubb</b>
Directors & Officers Liability	\$5,000,000	\$5,000,000
Deductible	\$50,000	\$50,000
Employment Practices Liability	\$5,000,000	\$5,000,000
Deductible	\$100,000	\$100,000
Aggregate Limit	\$5,000,000	\$5,000,000
Total Premium	<b>\$28,484</b>	<b>\$32,772</b>
<b>Excess D&amp;O/Employment Practices Liability</b>	<b>RSUI</b>	<b>RSUI</b>
Directors & Officers Liability	\$5,000,000	\$5,000,000
Deductible		
Total Premium	<b>\$18,224</b>	<b>\$20,890</b>
<b>Fiduciary Liability</b>	<b>Travelers</b>	<b>Travelers</b>
Fiduciary Liability Limit of Liability	\$3,000,000	\$3,000,000
Settlement Program Limit of Liability	\$250,000	\$250,000
HIPAA Limit of Liability	\$1,000,000	\$1,000,000
Deductible	\$0	\$0
Total Premium (3 year contract - thru 11/1/22)	<b>\$5,723</b>	<b>\$5,723</b>
Commission	<b>(\$57)</b>	<b>(\$57)</b>
<b>Cyber Liability</b>	<b>AIG</b>	<b>AIG **</b>
Limit of Liability	\$5,000,000	\$5,000,000
Notification	500,000 people	500,000 people
Retention	\$50,000	\$50,000
Total Premium	<b>\$21,075</b>	<b>\$23,169</b>
Commission		
<b>Flood - 2201 George Flagg Pkwy - Barn</b>	<b>Selective</b>	<b>Selective</b>
Building Limit	\$200,000	
Contents Limit	\$10,000	
Retention	\$2,000	
Total Premium - Cancelled mid 2020	<b>\$5,933</b>	
<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	<b>\$3,657</b>	<b>\$4,491</b>

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**Market Premium Summary**

**Policy Period: 11/1/2020 - 2021**

	<b>Expiring</b>	<b>Proposed</b>
<b>Coverage</b>	<b>2019-2020</b>	<b>2020-2021</b>
<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	<b>\$3,578</b>	<b>\$8,178</b>
<b>Workers Compensation</b>	<b>Various</b>	<b>Various</b>
Excess Liability Policy - MECC	\$76,005	\$76,005
Third Party Administrator - Cottingham & Butler	\$9,500	\$9,500
Work Comp Claims		
Total Premium/Expense - 2nd year of 2 year contract	<b>\$85,505</b>	<b>\$85,505</b>
COMBINED PREMIUMS	\$969,914	\$1,051,689
BROKER SERVICE FEE	\$15,000	\$15,000
Less Commission Paid to Broker	-\$5,397	-\$5,512
Total Insurance Premiums & Fees	\$979,517	\$1,061,177
Work Comp Claims & Administration (Est)	\$300,000	\$300,000
Total Insurance - Including Work Comp	\$1,279,517	\$1,361,177
Total Corporate Insurance Budgeted	\$1,271,500	\$1,440,000

8.34%

\* Property - Current Carrier Cincinnati is no longer willing to offer us flood insurance. This has initially proven to be an expensive endeavour.

LMC is still working on this for DMWW.

\*\* Cyber Insurance - It is estimated we could get an additional \$5M in coverage for an additional \$18K-\$20K premium.

\*\*\* NFIP Flood Insurance - We are working with FEMA and Selective to get more competitive rates for our NFIP Flood policies.