

Rep1 # 19
JUN 25 2015



MEMORANDUM Law Department - Council Memo

DATE: June 20, 2015
TO: MAYOR AND COUNCIL
FROM: KAY BIGELOW, Chandler City Attorney – Risk Manager (kcb)
SUBJECT: COMMERCIAL INSURANCE CONTRACTS (POLICIES) FOR FY 2015-2016

RECOMMENDATION: Approve renewal of commercial insurance contracts (policies) to protect the City against financial loss for \$1,235,706.00.

BACKGROUND: The City has a contract with Arthur J. Gallagher which acts as an Insurance Broker of Record for the City’s casualty/liability, property, and automobile insurance coverage. Arthur J. Gallagher advises and coordinates with the Risk Services Coordinator and the City Attorney (who is also the City’s Risk Manager) to obtain bids from insurers and negotiates the best terms and coverage for the various exposure areas. The City is extending its contract with Arthur J. Gallagher for one more year in an item separate from this item.

The City self-insures and carries excess coverage in the areas and at the levels indicated below. The total premium cost of recommended coverage through commercial carriers for FY 2015-2016 is \$1,235,706. compared to FY 2014-2015 is \$1,160,566. The difference of under 6.5%.

Excess Liability Coverage

Excess Liability coverage is carried at three levels: \$10 million excess of \$2 million Self-Insured Retention – Insurance is carried through Starr Indemnity & Liability \$20 million excess of \$12 million – Insurance is through Great American Assurance Co. \$20 million excess of \$32 million – Insurance is through Arch Insurance Co.

Level	Company	FY2015-16 Premium	FY2014-15 Premium
\$10 million excess of \$2 million Self-Insured Retention	Starr Indemnity & Liability	\$326,298	\$326,298
\$20 million excess of \$12 million	Great American Assurance Co.	\$107,000	\$107,000
20 million excess of \$32 million	Arch Insurance Co	\$65,000	\$65,000

Property Insurance

Property Insurance is carried through Travelers Indemnity which provides broad coverage for buildings, contents, equipment, vehicles (valued in excess of \$50,000), as well as boilers and machinery. This policy has various deductibles including \$50,000 per occurrence for most losses, \$100,000 for earth movement, and \$50,000 for flood. High value vehicles have a \$25,000 deductible.

Company	FY2015-16 Premium	FY2014-15 Premium
Travelers Indemnity	\$394,571	\$363,253

Storage Tank Liability

Storage Tank Liability Insurance is carried through Ace American Insurance Co. Policy limits remain at \$1,000,000 per tank, with a \$25,000 per incident deductible. Coverage complies with the financial responsibility mandates of the Environmental Protection Agency.

Level	Company	FY2015-16 Premium	FY2014-15 Premium
\$1,000,000 per tank, with a \$25,000 per incident deductible	Ace American Insurance Co.	\$26,732	\$25,161

Crime Insurance

Crime Insurance is carried through National Union Fire Insurance Co of Pittsburgh, PA. Coverage included state required bonds for Management Services Director and Accounting Manager. Further, this policy provides coverage for members of the City’s boards and commissions.

	Company	FY2015-16 Premium	FY2014-15 Premium
	National Union Fire Insurance Co	\$7,113	\$5,656

Airport Owners and Operators Liability

Airport Liability Insurance is carried through ACE Property & Casualty. Airport Owners and Operators Liability policy provides \$50,000,000 in coverage per occurrence.

Level	Company	FY2015-16 Premium	FY2014-15 Premium
\$50,000,000 in coverage per occurrence	ACE Property & Casualty	\$11,471	\$11,471

Cyber Insurance

Privacy/Security Liability Insurance also known as Cyber Insurance is carried through Ace Group – Illinois Union Insurance Co. Privacy and Network Liability policy provides \$5,000,000 aggregate for Privacy, Network Security, Internet Media, and Network Extortion coverage plus, \$2,500,000 in breach fund. Premium for 2015-2016 is. Premium for last fiscal year was.

Level	Company	FY2015-16 Premium	FY2014-15 Premium
\$5,000,000 aggregate + \$2,500,000 for consulting services in case of breach	ACE Group	\$71,117	\$67,402.53

Excess Workers' Compensation

The City is self-insured for the first \$1,000,000. for Police and Fire employees and \$600,000. for the remainder of the City employees. Excess of the \$600,000/\$1,000,000 retention, the City purchases coverage to protect against catastrophic loss.

Level	Company	FY2015-16 Premium	FY2014-15 Premium
\$600,000/\$1,000,000 retention	Safety National	\$226,404	\$188,556

FINANCIAL IMPLICATIONS: A comparison of the premiums between last fiscal year and the upcoming fiscal year is attached to this memo. Funds for premiums are allocated for payment from the following accounts:

Acct No.	Fund Name:	Program Name:	CIP	Funds:
737.1310.0000.5610	Insured Liability	Fire Insurance	n/a	\$ 394,571
737.1310.0000.5614	Insured Liability	Public Liability	n/a	\$ 498,298
737.1310.0000.5618	Insured Liability	Other Insurance	n/a	\$ 33,845
635.4100.0000.5614	Airport Operating	Public Liability	n/a	\$ 11,471
737.1310.0000.5618	Privacy/Security Liability	Network Liability	n/a	\$ 71,117
736.1250.0000.5621	Workers' Compensation	Excess Insurance	n/a	\$ 226,404
				\$1,235,706.00

PROPOSED MOTION: Move to approve renewal of commercial insurance policies to protect the City against financial loss for \$1,235,706.00

COMPARISON OF PREMIUMS

Type of Coverage	Company	FY2015-16 Premium	% Difference	FY2014-15 Premium
Excess Liability Coverage	Starr Indemnity & Liability	\$326,298	0.0%	\$326,298
Excess Liability Coverage	Great American Assurance Co.	\$107,000	0.0%	\$107,000
Excess Liability Coverage	Arch Insurance Co	\$65,000	0.0%	\$65,000
Property Insurance	Travelers Indemnity	\$394,571	8.6%	\$363,253
Storage Tank Liability	Ace American Insurance Co.	\$26,732	6.2%	\$25,161
Crime Insurance	National Union Fire Insurance Co	\$7,113	25.8%	\$5,656
Airport Owners and Operators Liability	ACE Property & Casualty	\$11,471	0.0%	\$11,471
Cyber Insurance	ACE Group	\$71,117	5.5%	\$67,402.53
Excess Workers' Compensation	Safety National	\$226,404	20.1%	\$188,556



MEMORANDUM Law Department - Council Memo

DATE: June 18, 2015

TO: MAYOR AND COUNCIL

FROM: KAY BIGELOW, Chandler City Attorney – Risk Manager (*keb*)

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