

# 10

JUN 09 2016



**Chandler • Arizona**  
Where Values Make The Difference

Chandler



2010

**MEMORANDUM**

**Law Department - Council Memo**

**DATE:** June 9, 2016

**TO:** MAYOR AND COUNCIL

**FROM:** KAY BIGELOW, Chandler City Attorney (*kab*)

**SUBJECT:** INSURANCE CONTRACTS (POLICIES) FOR FY 2016-2017

**RECOMMENDATION:** Approve renewal of insurance contracts (policies) to protect the City against financial loss in an aggregate amount not to exceed \$1,241,433.53.

**BACKGROUND/DISCUSSION:** The City has a contract with Arthur J. Gallagher Risk Management Services which acts as the Insurance Broker of Record for the City's public entity liability, property, and vehicle insurance coverage. The broker advises and coordinates with Human Resources and the Risk Management division about the types and coverage amounts the City should purchase to protect it. Earlier this calendar year, the broker obtained quotes from insurers and negotiated the best terms and coverage for the various exposure areas.

The City self-insures and usually keeps a \$2,000,000 retention for public entity liability but this year with our broker's advice, the broker shopped other carriers and was able to not only provide very beneficial quotes but they were also low enough that the City could switch to a lower self-insurance retention of \$1,750,000.00 for public entity liability rather than the normal \$2,000,000. We also carry excess coverage in other areas of liability and at the levels indicated below. We had been warned that premiums may increase by 10-20% for various coverages so our broker's advice proved to be a very successful strategy. The aggregate premium cost of recommended coverage through commercial carriers for FY 2016-2017 is \$1,241,433.53 compared to FY 2015-16, which was \$1,237,212.44. The difference between last fiscal year and this fiscal year is less than 0.35% overall even though the Worker Compensation excess liability coverage rose by 20%.

**Excess Liability Coverage**

Excess Liability coverage is carried at three levels as set forth below:

Level	Company	FY2016-17	FY2015-16
\$10 million excess of \$1,750,000 Self-Insured Retention	FY 16/17 Argonaut Indemnity & Liability Insurance	\$306,598	\$326,298

\$20 million excess of \$11.750 million	Great American Assurance Co.	\$107,000	\$107,000
20 million excess of \$31.750 million	Arch Insurance Co	\$ 66,107	\$ 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	FY2016-17 Premium	FY2015-16 Premium
Travelers Indemnity	\$389,513	\$395,808

### Storage Tank Liability

Storage Tank Liability Insurance is carried through Ace American Insurance Co. Coverage complies with the financial responsibility standards mandated by the Environmental Protection Agency.

Level	Company	FY2016-17 Premium	FY2015-16 Premium
\$1,000,000 per tank, with a \$50,000 per incident deductible	Ace American Insurance Co.	\$23,049	\$26,732

### Crime Insurance

Crime Insurance is carried through National Union Fire Insurance Co of Pittsburgh, Pennsylvania. Coverage included state required bonds for Management Services Director and Accounting Manager.

Company	FY2016-17 Premium	FY2015-16 Premium
National Union Fire Insurance Co	\$7,113	\$7,113

### Airport Owners and Operators Liability

Airport Liability Insurance is carried through ACE Property & Casualty.

Level	Company	FY2016-17 Premium	FY2015-16 Premium
\$50,000,00 in coverage per occurrence	ACE Property & Casualty	\$11,857	\$11,471

**Cyber Insurance**

Privacy/Security Liability Insurance also known as Cyber Insurance is carried through Ace Group- Illinois Union Insurance Co.

Level	Company	FY2016-17 Premium	FY2015-16 Premium
\$5,000,000 aggregate plus \$2,500,000 for consulting services in case of breach	ACE Group	\$63,746.53	\$71,117

**Excess Workers' Compensation**

The City is self-insured for the first \$1,000,000 for Public Safety employees and \$600,000 for the remainder of the City employees. The City purchases excess Workers Compensation coverage to protect against catastrophic losses over the \$600,000/\$1,000,000 retentions.

Level	Company	FY2016-17 Premium	FY2015-16 Premium
Over \$600,000/\$1,000,000 Self-retention	Safety National	\$266,450	\$226,404

**FINANCIAL IMPLICATIONS:** Funds for premiums are allocated for payment from the following accounts:

Acct No.	Fund Name:	Program Name:	CIP	Funds:
737.1310.0000.5614	Insured Liability	Public Liability (all levels)	n/a	\$479,705.00
737.1310.0000.5610	Insured Liability	Fire (Property) Insurance	n/a	\$389,513.00
737.1310.0000.5618	Insured Liability	Other Insurance (Crime)	n/a	7,113.00
737-1310.0000.5618	Insured Liability	Other Insurance (Storage Tanks)	n/a	23,049.00
635.4100.0000.5614	Airport Operating	Public Airport Liability	n/a	\$11,857.00
737.1310.0000.5618	Privacy/Security Liability	Other Insurance	n/a	\$63,746.53
736.1250.0000.5621	Workers' Compensation	Excess Insurance	n/a	\$266,450.00
				\$1,241,433.53

**PROPOSED MOTION:** Move to approve purchase of insurance policies to protect the City against financial loss in an aggregate amount not to exceed \$1,241,433.53.