

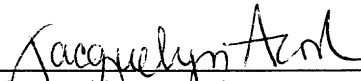


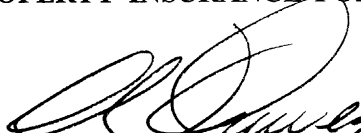
City of Carson

Report to Mayor and City Council

June 7, 2011
New Business Consent

SUBJECT: CONSIDER RENEWAL OF COMMERCIAL GENERAL LIABILITY, EXCESS WORKERS' COMPENSATION AND PROPERTY INSURANCE POLICIES FOR FY 2011/12


Submitted by Jacquelyn Acosta
Administrative Services General Manager


Approved by Clifford W. Graves
Interim City Manager

I. SUMMARY

Presented for Council's consideration is the annual renewal of the following insurance policies: 1) Commercial General Liability Insurance [Municipal General, Public Officials Errors and Omissions, and Automobile Liability]; 2) Excess Workers' Compensation Insurance; and 3) Property Insurance. These renewals are for FY 2011/12. The combined premiums total \$382,813.00 resulting in savings of \$9,674.25 from FY 2010/11 combined premiums of \$392,487.25, while providing the same insurance coverage.

II. RECOMMENDATION

TAKE the following actions:

1. APPROVE Illinois Union Insurance Company to provide \$10 million primary coverage, including terrorism, for the city's Commercial General Liability Insurance for Municipal General, Public Officials Errors and Omissions, and Automobile Liability for FY 2011/12, at an annual premium of \$192,190.00.
2. APPROVE Safety National Casualty Corporation to provide coverage for the city's Excess Workers' Compensation Insurance for FY 2011/12, at an annual premium of \$121,334.00.
3. APPROVE St. Paul Travelers Insurance Company to provide coverage for the city's Property Insurance, including terrorism, for FY 2011/12, at an annual premium of \$69,289.00.

III. ALTERNATIVES

1. DO NOT APPROVE the policies. However, if Council chooses not to approve, critical insurance coverage will expire and the city will have 100% exposure for liability claims, injuries arising out of catastrophic events, workers' compensation claims, and property damage.
2. TAKE another action the City Council deems appropriate.

IV. BACKGROUND

The city has three types of major insurance coverage: 1) Commercial General Liability [Municipal General, Public Officials Errors and Omissions, and Automobile Liability]; 2) Excess Workers' Compensation, and 3) Property.

The city's Commercial General Liability, Excess Workers' Compensation and Property policies will expire on June 30, 2011. Staff received three quotes for Commercial General Liability Insurance, five quotes for Excess Workers' Compensation Insurance and two quotes for Property Insurance. Should the City Council approve these policies, the city will recognize savings of \$9,674.25 over last year's premiums.

Liability Insurance

The city currently carries \$10 million in Commercial General Liability insurance. This insurance provides the city coverage for claims from the general public regarding damage or injuries, such as claims for trip and falls, as well as claims filed against its public officials for conduct while performing public official duties.

Coverage also applies to acts of vandalism, malicious mischief, general tort claims and auto coverage for all city employees driving city vehicles. Staff has found a policy that provides the same coverage and limits at a reasonable premium for FY 2011/12.

Illinois Union Insurance Company is staff's recommended insurer and has quoted a competitive bid for primary coverage of \$10 million, with a self-insured retention (SIR) of \$250,000.00 for all claims (Exhibit No. 1). It has a Best Rating of A+ XV (admitted), which ranks this company among the best insurance companies with excellent financial strength, operating performance and a strong ability to meet its ongoing obligations to policyholders.

Illinois Union's proposed policy for Employment Practices Liability includes coverage as part of the Public Errors and Omissions coverage and broadly defines "Employment Practices Liability" to include wrongful termination liability, discrimination claims, employment-related invasion of privacy, and defamation or wrongful infliction of emotional distress.

Also included with this liability insurance is Terrorism coverage and Claims Expense Reimbursement which provides 100% coverage for defense fees and costs exceeding the SIR or deductible up to the limits of liability under the policy.

Illinois Union will assist in evaluating the city's facilities for liability issues and prepare summary reports outlining potential hazards. The additional value is that the representative monitors and reviews the city's follow-up actions. This will provide valuable loss control, which translates to a proactive approach to coverage and preventative actions. Illinois Union Insurance Company's annual premium is \$192,190.00 which represents a \$3,696.25 saving from last year's premium of

\$195,886.25.

An analysis of all Liability Insurance quotes received and the reasons why some insurance carriers declined to quote is attached as Exhibit No. 1.

Excess Workers' Compensation Insurance

This excess policy is required because it provides coverage over and above the city's Self-Insured Workers' Compensation Program; it would be activated in case of catastrophic injuries or events. Another provision of this policy is that the Employer's Liability Limit gives the city an additional \$1 million over and above the Statutory Limit for lawsuits against the city by other interested parties for an injury to an employee.

Staff has received five proposals. Two additional insurance companies declined to quote for Excess Workers' Compensation Insurance because they were unable to compete or declined to quote with a SIR below \$1,000,000.00.

Safety National Casualty Corporation is the city's incumbent carrier and staff's recommended insurer (Exhibit No. 2) with a \$25,000,000.00 coverage limit because it protects the city from a single major claim (e.g., claims related to a major industrial accident) or multiple injuries (e.g., earthquake) beyond its SIR (deductible) of \$750,000.00. Safety National Casualty Corporation's annual premium is \$121,334.00, which represents a \$246.00 saving from last year's premium of \$121,580.00

An analysis of all Excess Workers' Compensation Insurance quotes received and the reasons why some insurance carriers declined to quote is attached as Exhibit No. 2.

Property Insurance

The city has historically purchased property insurance, which provides coverage on a replacement cost basis ("new for old"). This insurance covers all city buildings and contents (including parks), City Hall office equipment, electronic data processing hardware and software, licensed vehicles, city-owned heavy equipment (e.g., forklifts, generators, etc.), valuable papers, inventory and exhibitions (fine arts), boiler and machinery (pools). Also, there is coverage for Business Interruption and Certified Acts of Terrorism as provided by the Terrorism Risk Insurance Act of 2002.

The city will maintain its Extra Expense provision in the recommended policy which will provide coverage for relocation expenses of city offices in case a single building or all buildings must be evacuated because of a major occurrence, criminal act or hazardous condition. Extra Expense includes the rental of temporary office(s), installation of phone lines, computer hookups and any other associated expenses required to enable the city to immediately continue with its daily business.

St. Paul Travelers is staff's recommended carrier for FY 2011/12 (Exhibit No. 3). This policy also has a "Blanket Earnings and Expense Endorsement" which provides coverage for actual loss of earnings and extra expense that result from necessary suspension of operations caused by direct physical loss of or damage to property. St. Paul Travelers' annual premium is \$69,289.00, which represents a \$3,787.00 saving from last year's premium of \$73,076.00.

An analysis of all Property Insurance quotes received is attached as Exhibit No. 3.

V. FISCAL IMPACT

Funding for the city's various insurance policies is included in the city's proposed FY 2011/12 General Fund Budget.

VI. EXHIBITS

1. Liability Insurance Quotes. (pg. 5)
2. Excess Workers' Compensation Insurance Quotes. (pg. 6)
3. Property Insurance Quotes. (pg. 7)

Prepared by: Ed Holton, Sr. Risk Management Analyst

TO:Rev032811

Reviewed by:

City Clerk	City Treasurer
<u>Administrative Services</u>	<u>Development Services</u>
<u>Economic Development Services</u>	<u>Public Services</u>

Action taken by City Council

Date_____ Action_____

Liability Insurance Renewal

Insurance Carrier	Limit Coverage A, B & C	Self-Insured Retention Coverage A, B & C	Admitted/Non Admitted	Annual Premium	AIM Best Rating	Comments
Illinois Union Insurance Company	\$10,000,000	\$250,000.00	Admitted	\$192,190.00	A+ XV	Self Insurance Retention meets the City of Carson request to have all deductible be no more than \$250,000. Renewal quote is \$ 3,696.25 less than last year premium.
Tower	Decline to quote	N/A	N/A	N/A	N/A	Was not able to quote the requested limits. The requested limits are more than they would be comfortable writing.
Am Trust	Decline to quote	N/A	N/A	N/A	N/A	Was not interested in issuing a quote based on the current limits; total limits too large.
One Beacon	Decline to quote	N/A	N/A	N/A	N/A	Declined based on the current structure and expiring premium; they would not be able to offer more than \$10 MM total limits, even if the pricing was where they wanted it to be.
Genesis	Decline to quote	N/A	N/A	N/A	N/A	Declined today stating they would not "be able to get close to the current premium and terms offered by ACE".
RK Harrison	Decline to quote	N/A	N/A	N/A	N/A	Declined – could not compete.
American Safety	Decline to quote	N/A	N/A	Decline to quote		Declined – could not compete.
Chartis	\$15,000,000	\$ 250,000.00 for POL \$500,000.00 for EPL	Non Admitted	\$ 195,000.00		Carriers indication total \$ 195,000; excluded Liability & Auto (included Public Officials & Employer Liability with limits of \$ 15,000,000 and deductibles of \$ 250,000/\$500,000 respectively.
Ironshore	\$ 10,000,000	\$250,000	Non Admitted	\$ 269,000.00		Did not offer formal terms but the carrier indicated that their quote would exceed \$ 269,000



Excess Workers Compensation Insurance Renewal

Insurance Carrier	Limit	Self Insured Retention	Admitted/Non Admitted	Annual Premium	A.M. Best Rating	Comments
Safety National Casualty Corporation	\$25,000,000	\$750,000.00	Admitted	\$121,334.00	A	Current carrier ,solid track record, best most competitive option. Renewal quote reflects a \$ 246.00 reduction in cost from the previous year
Safety National Casualty Corporation	\$25,000,000	\$1,000,000	Admitted	\$105,833.00	A	This option was also offered last year
Safety National Casualty Corporation	\$50,000,000	\$ 750,000.00	Admitted	\$133,821.00	A	This option was not offered last year
Safety National Casualty Corporation	\$50,000,000	\$1,000,000	Admitted	\$118,321.00	A	This option was also offered last year
NY Marine and General Insurance Company	\$25,000,000	\$750,000	Non-Admitted	\$125,000.00 to \$130,000.00	A	Unable to compete with incumbent.
Arch Insurance Company	Decline to quote	N/A	N/A	N/A	N/A	Declined, unable to compete with incumbent pricing.
Midwest Employers' Casualty Company	Decline to quote	N/A	N/A	N/A	No bid	Declined to quote deductible options below \$1,000,000

Property Insurance Renewal

Insurance Carrier	Limit	Self Insured Retention	Admitted/Non-Admitted	Annual Premium	A.M. Best Rating	Comments
St. Paul Travelers Philadelphia Insurance	\$94,772,000	\$10,000	Admitted	\$69,289.00	A+	Incumbent Carrier for the last three years and has offered a renewal quote \$ 5,355.00 less than last year. Please note this quote also includes the 5 residential properties owned by the Cities Redevelopment Agency and the new Hemingway Pool.
	\$94,772,000	\$ 10,000	Admitted	\$ 78,000.00	A+	Carrier is unable to compete with Travelers 06. Per 100 square foot rate