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HUMAN RESOURCES

To: Gregg Mandsager, City Administrator
From: Stephanie Romagnoli, Human Resources Manager
Date: June 17, 2014
Re: Insurance Renewal

The city's insurance package is up for renewal once again on July 1, 2014. The insurance committee has met to review renewal information and finalize recommendations for the City Council. The insurance committee consists of local risk managers Hal Larson from Kent Corporation (retired), Greg Brown from HNI Corporation, Rich Dwyer, Kent Corporation, Tom Spread from City Council and City staff members Gregg Mandsager, Nancy Lueck, Randy Hill, and me.

The committee is recommending that the City change carriers and place the coverage with the Iowa Communities Assurance Pool (ICAP). An executive summary outlining the details of the renewal will be provided. ICAP is a local government risk pool specific to Iowa municipalities. It is AAA rated and currently has approximately 700 members. After reviewing three proposals, including that one from the current carrier, ICAP is most cost effective and provides some coverage enhancements.

The premium for ICAP quote provides significant premium savings to the City. Added savings should also be found in the general liability policy. The current policy carries a \$2,500 deductible per claim; the ICAP policy has no deductible. Since the City averages about 10 claims per year, this could result in additional savings up to \$25,000. An executive summary has also been provided by Holmes Murphy to show a more detailed comparison.

ICAP is a pool, and should the City decide to move away from ICAP in the future the responsibility for reported or unreported claims will fall to the City. There is, however, a member credit applied each year after the first year in the pool. A percentage of the member credit is released to the City should we change carriers again. After six years in the pool the City would be entitled to the full credit. City staff will also have a recommendation to set aside some of the premium savings to help cover claims costs should it be needed in the future. This will be discussed during the budget process.

The recommendation of the committee is to renew workers' compensation coverage with United Heartland.

At this time, I am requesting City Council's approval to authorize Holmes Murphy to bind the insurance coverage as outlined in the executive summary. If you have any questions or require additional information, please let me know.

City of Muscatine

Premium and Exposure Comparison

Coverage	Basis	Exposure				Premium			
		Travelers 2013-14	Travelers 2014-15	One Beacon 2014-15	ICAP 2014-15	2013-14	Travelers 2014-15	One Beacon 2014-15	ICAP 2014-15
Blanket Buildings & Contents	Values	74,067,578	73,282,167	59,291,120	69,683,860	89,410	89,026	125,347	122,958
Blanket Contents Limit	Values	Included	Included	5,454,887	5,555,935	Included	Included	Included	Included
Specific Buildings	Values	7,452,395	7,452,395	15,909,937	5,453,144	Included	Included	Included	Included
In ground Sprinkler System - Golf Club	Values	350,000	350,000	250,000	Included in blkt	Included	Included	Included	Included
Computer Equipment	Values	825,940	796,576	796,576	818,740	Included	Included	Included	Included
Software Data & Media	Values	50,000	50,000	50,000	50,000	Included	Included	Included	Included
Business Income	Values	1,000,000	1,000,000	1,000,000	1,000,000	Included	Included	Included	Included
Extra Expense	Values	Included	Included	Included	100,000	Included	Included	Included	Included
Earthquake Limit	Limit	8,000,000	8,000,000	8,000,000	8,000,000	Included	Included	Included	Included
Equipment Failure	Values	81,519,973	80,734,562	80,692,939	80,692,939	Included	Included	Included	Included
Inland Marine Including:						43,832	44,391	18,360	Included
Fine Arts Floater	Values	13,798,587	14,017,199	14,017,199	14,017,200	Included	Included	Included	Included
Contractors Equipment	Values	3,006,121	2,956,069	2,956,069	3,025,972	Included	Included	Included	Included
Radio/TV Communication Equipment	Values	149,988	149,988	149,988	Included in blkt	Included	Included	Included	Included
Miscellaneous Equipment	Values	2,563,912	2,632,912	2,632,912	2,495,272	Included	Included	Included	Included
Fire Department & Ambulance Equipment	Values	Included	Included	Included	Included	Included	Included	Included	Included
Golf Carts	Values	Included	Included	Included	Included	Included	Included	Included	Included
Commercial General Liability/EMT Professional	Expenditures	54,362,310	54,346,854	54,346,854	54,346,854	72,004	66,738	60,474	74,726
Employee Benefit Liability	Expenditures	Included	Included	Included	Included	1,080	1,080	Included	Included
Employment Practices Liability	Employees- FTE	483	508	508	508	30,021	31,572	48,781	Included
Public Officials Professional	Expenditures	54,362,310	54,346,854	54,346,854	54,346,854	19,904	18,002	Included	10,423
Police Professional	Officers- FTE	44	40	40	40	45,242	41,283	Included	12,879
Cyber Liability	Expenditures	54,362,310	54,346,854	54,346,854	54,346,854	3,992	3,624	Included	Included
Automobile	Power Units	129	138	137	135	66,553	74,258	85,211	77,364
Umbrella Liability	Expenditures	54,362,310	54,346,854	54,346,854	54,346,854	53,111	55,245	60,595	30,859
	Power Units	129	138	136	135	Included	Included	Included	Included
Subtotal						425,149	425,219	398,768	329,209
Airport (ACE USA)	Limit	5,000,000	5,000,000			2,985	2,985	2,985	2,985
Pollution for Fuel Tank (Illinois Union Inc. Co)	# of tanks	5	5	5		2,639	2,759	2,759	2,759
Workers Compensation (United Heartland)	Payroll	8,220,858	8,283,983			159,910	163,115	163,115	163,115
Dredge Protection & Indemnity Coverage									
Primary Hull & Indemnity Coverage (Great American)	Limit	1,000,000	1,000,000			9,600	9,568	9,568	9,568
Maritime Coverage (Great American)	Payroll	83,466	87,716			4,016	4,125	4,125	4,125
Excess Indemnity Coverage (NY Marine & Gen Is Co)	Limit	10,000,000	10,000,000			7,800	7,800	7,800	7,800
Flood Policies (Selective)									
City Hall - 215 Sycamore Muscatine IA	Limit	606,900	606,900			4,028	4,368	4,368	4,368
Public Safety - 312 East Fifth Street Muscatine IA	Limit	566,300	566,300			3,602	3,905	3,905	3,905
Pearl City Station - Muscatine IA	Limit	250,000	250,000			2,483	3,092	3,092	3,092
RiverView Center - 110 Harbor Drive Muscatine IA	Limit	454,100	454,100			2,477	2,619	2,619	2,619
Pistol Range - parcel # 13152000009	Limit	83,900	83,900			732	794	794	794
Holmes Murphy Fee (net of commission paid)						21,645	24,897	24,897	N/A
Total						647,066	655,246	628,795	534,339

City of Muscatine

Premium and Exposure Comparison

Notes	Exposure	Premium
1 W.C. Experience Modification	Final	0.72
2 Some policies may be subject to state tax and policy fees that are included in this illustration.	Final	0.73
3 Higher limits may be available. Please let us know if you would like a quote for higher limits.		
4 Workers Compensation		
a The workers compensation quote from United Heartland Includes USL&H Coverage and a Dividend Program. See attachment for Dividend Program.		
b The rates have been deviated 15% off the filed state rates and the scheduled credit is 15% as expiring		
5 Employers Liability Maritime Coverage		
a This policy will be included on the underlying schedule with the Travelers Umbrella policy as expiring.		
6 Airport Liability		
a This is a 3 year policy with premiums paid annually		
7 Flood		
a The limits shown for the NFIP Flood policies are the same as expiring. On the billing sent out, Selective Ins Co. did provide options for increasing coverage.		
b The renewal premium shown for the Riverview Center is expiring as we have not yet received renewal terms on this because it requires manual rating.- Updated with Renewal Premium		
8 HMA Service FEE/Commission Disclosure		
a Coverage receiving commission:		
Pollution for Fuel Tank		
Workers Compensation		
Police and Fire Medical	(Three year prepaid amount divided by 3)	
Flood Policies -		
Liquor Liability		
ICAP Coverage's		
Fee on remaining lines		
b ICAP quote cannot be issued net of commission.		

Commission/Fee	2013	2014	2014 - ICAP
	264	276	276
	13,592	13,865	13,865
	5,400	5,400	5,400
	2,756	3,024	3,024
	307	0	
			33,019
	22,721	24,897	n/a
	45,040	47,462	55,584

City of Muscatine

Premium and Exposure Comparison

Exposure

Premium

4 Travelers Terms & Conditions

a Terrorism coverage can't be rejected and the additional premium is included in the premiums; same as expiring

The charges for terrorism are as follows: Property -3% of Premium; All other lines -1% of the premium.

Property

a Travelers has done building valuations on the following buildings. The quote includes increased building limits for the noted buildings.

	Value Submitted	Travelers Value	% Change
Kent Stein Park - West Concession Stand, Restroom	271,053	281,773	4%
Kent Stein Park -East Concession Stand, Restroom	271,053	281,773	4%
Soccer Complex - Maintenance Building	284,211	290,524	2%
Pearl City Station - Muscatine IA	446,480	467,740	5%
Musser Public Library	2,830,092	2,845,911	1%
Aircraft Hanger - Building F	468,730	482,516	3%

* See Building Valuations done by Travelers on these buildings

Inland Marine

a The flood limits for property listed in certain flood zones will be changed as follows; Travelers sent our prior notice of this

Contractors Equipment & Scheduled Property Flood Limits - locations in Flood Zone B, XS00 and Zone X - 2,500,000 (was policy limit)

Contractors Equipment & Scheduled Property Flood Limit -located in Flood Zone A- 1,000,000 (was policy limit)

Contractors Equipment & Scheduled Property Flood Limit - located in an Unmapped Flood Zone- 1,000,000 (was policy limit)

Fine Arts Flood Limit - Zone C & Zone X - \$5,000,000 (was policy limit)

Fine Arts Flood Limit - Zone B, Zone XS00, & Zone X* - \$2,500,000 (was policy limit)

Fine Arts Flood Limit Zone A and Unmapped Locations: \$1,000,000 (was policy limit)

Automobile

a The Maximum Physical Damage Deductible will be increased to \$25,000 from \$5,000.

b The Hired Car Comprehensive & Collision deductible will be increased to \$1,000 from \$250.

* Travelers sent out prior notice of these changes

City of Muscatine

Premium and Exposure Comparison

5 ICAP Conditions/Terms

Exposure

Premium

Property

- a Business Income deductible is \$5,000 or \$25,000 (earthquake) ; (Travelers is 72 hr. waiting period)
- b EDP is specific per location; where as Travelers is blanket all locations.
- c City Hall and Musser Museum are specific locations insured at FRC; with Travelers It includes these locations plus the Stanley Art Center and curator's residence.
- d See Statement of Value for differences in building values between Travelers & ICAP.

Inland Marine

Contractors & Miscellaneous Scheduled Property

- a Flood is a covered peril but it is not limited to a maximum value depending on flood zone as Travelers is. The deductible for flood is \$5,000 ;for Travelers deductible depends on flood zone.
- b There is a boom/lb Collapse Exclusion that applies to both types of equipment; no exclusion with Travelers.

Fine Arts

- a Flood is a covered peril for Fine Arts; with Travelers flood coverage is limited depending up on flood zone.
- b Exclusion for breakage of art glass windows, statuary, glassware, bric-a-brac, marble, porcelain, and similar fragile property unless such loss is caused directly by fire, lightning, explosion, windstorm, aircraft, theft or unattempted theft, cyclone, tornado, earthquake, flood, malicious damage or by accident to a vehicle covered carrying such property. Travelers does not have this type of exclusion.
- c Exclusion for damage sustained due to and resulting from any repairing, restoration or retouching process; Travelers has no such exclusion in their form.
- d Coverage is limited to the location where the fine arts are located; with Travelers coverage is not limited to a specific premise.

General Liability

- a Per Occurrence Limit is: 2,000,000 with Travelers limit is 1,000,000
- b No deductible applies; with Travelers \$2,500 per occurrence deductible applies.
- c Operations excluded include: airfields, runways, hangars or other properties in connection with aviation operations, educational system, electric utility, hospital or other types of medical care facility, housing authority, mechanically operated amusement devices, medical clinic, natural gas transmission system or a gas utility system; nuclear facilities, nursing home, convalescent home or home for the aged; railroad, or ski lift, tows or runs. The airport operations general liability operations are insured with ACE; Housing Authority operations for general liability for the Clark House and Sunset Apartments are insured separately and the City has no exposure for other excluded operations.
- g Fellow employee coverage is included; it is not covered in Travelers program but available for additional premium.
- h Policy includes hammer clause; with Travelers they can settle a suit without your consent.

Automobile

- a Per Occurrence Limit is: 2,000,000 with Travelers limit is 1,000,000
- b Agreed Value only applies to the Fire Trucks and all ambulances (Travelers also insures these vehicles plus police vehicles for agreed value)
- c New Mrap vehicle currently not included in quote but they can include coverage for it and won't change the premium.
- d Fellow employee coverage is included; it is not covered in Travelers program but available for additional premium.
- e Coverage is specific so during the year, you will need to notify us of vehicles to add and delete; with Travelers the coverage is composite rated.
- f Policy includes hammer clause; with Travelers they can settle a suit without your consent.

City of Muscatine

Premium and Exposure Comparison

ICAP Conditions/Terms

Employment Practices Liability

a Policy Includes hammer clause; with Travelers they can settle a suit without your consent.

Law Enforcement

a Per Occurrence Limit is: 2,000,000 with Travelers limit is 1,000,000

b Policy Includes hammer clause; with Travelers they can settle a suit without your consent.

Public Entity Management Liability

a Per Occurrence Limit is: 2,000,000 with Travelers limit is 1,000,000

b Policy Includes hammer clause; with Travelers they can settle a suit without your consent.

Cyber Liability

a ICAP is checking into the ability to honor the retroactive date on this policy. They believe they will either match it or be able to offer a retroactive date of when ICAP started offering this coverage.

Excess Liability

a Per Occurrence Limit is: 9,000,000 with Travelers limit is 10,000,000

Overall limit is 11,000,000 (including underlying); same as Travelers

b They are unable to be excess over the Accident Fund Employers Liability Coverage or the Maritime Employers Liability as Travelers is.

However, coverage for employers liability is included in ICAP's policy form up to the limits of 11M.

The maritime employers liability would not be included in the the employers liability coverage offered by ICAP.

We can include the maritime employers liability coverage as an underlying policy on the Excess P&I Policy with NY Marine. There would be an additional charge for this. We are currently working on obtaining cost of this.

Exposure

Premium

City of Muscatine

Premium and Exposure Comparison

6 One Beacon - Conditions/Terms

Exposure

Premium

Property

- a 90% Coin Insurance Applies to all locations building, personal property & business income; (travelers agreed value -no coinsurance)
- b See Statement of Values for locations that are specific and blanket and valuation
- c 20% Margin Clause applies to each building and business personal property blanket limits

General Liability

- a Designated Exclusions: Muscatine Municipal Housing Agency to include Clark House, Hershey Manor and Sunset Park and Muscatine Municipal Airport
Separate coverage placed for both of these exposures.

Umbrella/Excess Liability

- a This is an excess policy which is follow form all provisions of the underlying coverage's except for pollution, failure to supply, sexual abuse and uninsured & underinsured motorist coverage.
- b They are unable to be excess of the maritime employers liability coverage; This coverage can be scheduled as an underlying policy for the excess P&I policy.
However, they require the employers liability have a 1M limit. We are pending quotes to increase the underlying limit to 1M and cost of adding this as an underlying coverage to the excess P&I policy.

Automobile

- a Agreed Value only applies to the Fire Trucks and Mrep Vehicle (Travelers also insures police vehicles for agreed value)
- b Maximum Physical Damage Deductible is not included; (Travelers offers a \$25,000 max physical damage deductible)
- c Exclusion or Excess coverage otherwise insured applies to autos you own used in the aviation operations on premise.

Inland Marine

- a The contractors equipment, radio/TV communication equipment and miscellaneous equipment valuation is ACV: (The valuation of this equipment with Travelers is replacement cost).
- b Law Enforcement Animals - would need name, markings, sex and breed of all animals.

City of Muscatine

Premium and Exposure Comparison Options

	From	Exposure To	Premium	Change	Accept	Premium Reject
Add Terrorism						
1 Excess Protection & Indemnity - Dredging Operations on the Mississippi	Excluded	Included	390			x
2 Higher Excess Options with ICAP	9,000,000	10,000,000	31,974	1,115		
	9,000,000	11,000,000	33,024	2,165		
3 Add Maritime Employer Liability as underlying coverage on Excess Protection & Indemnity Policy with NY Marine Currently Included under Travelers Umbrella - ICAP and OneBeacon cannot schedule this policy on their excess forms.			10,300	2,500		
4 Increase limits - Employers Maritime Liability Policy The higher limit is required in order for NY Marine to be excess of this policy.	500,000	1,000,000	5,400	1,275		
5 Reject Terrorism on OneBeacon Coverages All Lines				(7,082)	N/A - not going with OneBeacon	

Subjectivities

- Travelers - Uninsured/Underinsured Motorist Election of Limits forms
- ICAP - Completion of their applications and all supplements, proof of airport FOB coverage and bridge inspection reports.
- OneBeacon - fully completed new business application prior to binding.

Payment Plans

Package Coverage - Travelers	4 Payments, 25% Due at Inception, September, November, & February
Package Coverage - ICAP	Annual
Package Coverage - OneBeacon	Annual
Workers Compensation - United Heartland	9 Monthly Installments
All Other Lines	Annual
Flood	Direct Bill Annual