

## City of Muscatine – Executive Summary

### *P/C Insurance Renewal*

### *July 1, 2013*

Holmes Murphy is pleased to present the City of Muscatine and representatives of the insurance committee with your property/casualty insurance renewal for July 1, 2013.

Travelers (Package) and United Heartland (WC) Insurance continue to remain the best options for the majority of the City's property/casualty exposures. There are some rate increases which are directly attributed to the City's loss experience, increase in exposures and changes within the insurance market place. The exception is with your Workers Compensation rates where you continue to obtain the maximum credits/discounts available along with a competitive dividend plan.

- **Budget to Premiums:**
  - **Budget - \$666,256**
  - **Premiums- \$654,443**

#### **Rates:**

Despite some increases, the City's rates continue to be very competitive as compared to the rates within your 2005-2006 policy terms.

- **Property**
  - 2005-06 = \$.14 per \$100 of values
  - 2013-14 = \$.13 per \$100 of values
  - **Rate Savings = \$11,407**
- **General Liability**
  - 2005-06 = \$1.56 per \$1,000 of expenditures
  - 2013-14 = \$1.32 per \$1,000 of expenditures
  - **Rate Savings = \$12,798**
- **Automobile**
  - 2005-06 = \$500 per power unit
  - 2013-14 = \$516 per power unit
  - **Rate Savings = (\$2,055)**
- **Workers Compensation**
  - 2005-06 = \$2.27 per \$100 in payroll
  - 2013-14 = \$1.95 per \$100 in payroll
  - **Rate Savings = \$26,703**
- **Umbrella**
  - 2005-06 = \$.98 per \$1,000 of expenditures
  - 2013-14 = \$.98 per \$1,000 of expenditures
  - **Rate Savings = \$0**
- **Total annualized rate savings = \$48,853**

**Exposure increases include:**

- Fine Arts – 35%
- Expenditures – 9%
- Power Units – 6%
- Payroll – 3%

**Loss ratio from 2007-2013 by major lines of coverage is as follows:**

*Premiums paid compared to Losses incurred:*

- Property – 39%
- General Liability – 70%
- Automobile – 49%
- Workers Compensation – 20%
- Professional Liability\* – 142%
- Police & Fire Medical Policy – 211%

\*Includes Employment Practices, Law Enforcement and Public Entity Management Liability.

The City's workers compensation line of coverage continues to trend very favorably as reflected in your NCCI experience mod which will **decrease 5 points from .77 to .72.**

As a result of your favorable loss experience, United Heartland has paid dividends to the City totaling **\$145,130** over the past seven years. These dividends have helped to reduce your overall annual insurance costs as indicated below:

<b><u>Policy Year</u></b>	<b><u>Amount</u></b>
2005-06	\$23,746
2006-07	\$14,022
2007-08	\$ 9,861
2008-09	\$26,782
2009-10	\$25,866
2010-11	\$15,961
2011-12	\$28,892

We successfully negotiated the maximum 15% scheduled credit and 15% rate deviation on your Workers Compensation premiums.

- *Maximum allowable credit and rate deviation in the State of Iowa is 15% each*

We hope that you agree with our recommendations and welcome your feedback. Thank you for your continued support & confidence with Holmes Murphy. We sincerely appreciate doing business with the City of Muscatine.

Jim Kapsch  
Vice President  
Holmes Murphy & Associates, Inc.

Laure Guisinger  
Senior Vice President  
Holmes Murphy & Associates, Inc.

# City of Muscatine

## Premium and Exposure Comparison

Coverage	Basis	2012-13	Exposure 2013-14	Change	2012-13	Premium 2013-14	Budget Projection	Percentage Increase
Blanket Buildings & Contents (Travelers)	Values	74,053,870	74,602,735	1%	84,477	90,002	97,149	7%
Specific Buildings/Contents (Travelers)				N/A				
City Hall	Values	3,542,118	3,542,118	0%	Included	Included	Included	
Laure Musser Museum	Values	1,911,026	1,911,026	0%	Included	Included	Included	
Stanley Art Gallery	Values	1,843,504	1,843,504	0%	Included	Included	Included	
Curator Residence & Garage	Values	155,747	155,747	0%	Included	Included	Included	
Computer Equipment	Values	785,858	825,940	5%	Included	Included	Included	
Software Data & Media	Values	50,000	50,000	0%	Included	Included	Included	
Business Income/Extra Expense (Travelers)	Values	1,000,000	1,000,000	0%	Included	Included	Included	
Equipment Failure (Travelers)	Values	81,506,265	82,055,130	1%	Included	Included	Included	
Inland Marine Including: (Travelers)					40,073	43,832	46,084	9%
Fine Arts Floater	Values	10,205,380	13,798,587	35%	Included	Included	Included	
Contractors Equipment	Values	2,990,674	3,006,121	1%	Included	Included	Included	
Radio/TV Communication Equipment	Values	135,988	149,988	10%	Included	Included	Included	
Miscellaneous Equipment	Values	2,516,095	2,563,912	2%	Included	Included	Included	
Fire Department & Ambulance Equipment	Values	Included	Included	N/A	Included	Included	Included	
Golf Carts	Values	Included	Included	N/A	Included	Included	Included	
Commercial General Liability/EMT Professional (Travelers)	Expenditures	49,993,876	54,362,310	9%	60,006	72,004	69,007	20%
Employee Benefit Liability	Expenditures	Included	Included	N/A	475	1,080	546	127%
Employment Practices Liability (Travelers)	Employees- FTE	443	483	9%	24,999	30,021	28,749	20%
Public Officials Professional (Travelers)	Expenditures	49,993,876	54,362,310	9%	14,690	19,904	16,894	35%
Police Professional (Travelers)	Officers- FTE	43	44	2%	35,999	45,242	41,399	26%
Cyber Liability (Travelers)	Expenditures	49,993,876	54,362,310	9%	3,875	3,992	4,456	3%
Automobile (Travelers)	Power Units	122	129	6%	56,005	66,553	64,406	19%
Umbrella Liability (Travelers)	Expenditures	49,993,876	54,362,310	9%	39,148	53,111	45,019	36%
	Power Units	122	129	6%	Included	Included	Included	
Crime - City Blanket Bond (Hartford)	Employees	413	455	10%	5,608	5,608	1,869	0%
Airport (ACE USA)	Limit	5,000,000	5,000,000	0%	2,985	2,985	3,433	0%
Pollution for Fuel Tank (Illinois Union Inc Co)	# of tanks	5	5	0%	2,726	2,639	3,135	-3%
Workers Compensation (United Heartland)	Payroll	7,971,704	8,220,858	3%	159,304	159,910	181,401	0%

## City of Muscatine

### Premium and Exposure Comparison

Coverage	Basis	2012-13	Exposure 2013-14	Change	2012-13	Premium 2013-14	Budget Projection	Percentage Increase
Dredge Protection & Indemnity Coverage							23,707	
Primary Hull & Indemnity Coverage (Great American)	Limit	1,000,000	1,000,000	0%	9,290	9,600	Included	3%
Maritime Coverage (Great American)	Payroll	83,466	83,466	0%	3,825	4,016	Included	5%
Excess Indemnity Coverage MY Marine & Gen Is Co)	Limit	10,000,000	10,000,000	0%	7,500	7,800	Included	4%
Flood Policies (Selective)								
City Hall - 215 Sycamore Muscatine IA	Limit	606,900	606,900	0%	3,820	4,028	4,393	5%
Public Safety - 312 East Fifth Street Muscatine IA	Limit	566,300	566,300	0%	3,416	3,602	3,928	5%
Pearl City Station - Muscatine IA	Limit	250,000	250,000	0%	2,327	2,483	2,676	7%
Riverview Center - 110 Harbor Drive Muscatine IA	Limit	454,100	454,100	0%	2,406	2,477	2,767	3%
Pistol Range - parcel # 13152000009	Limit	78,000	78,000	0%	694	732	798	5%
Holmes Murphy Fee (net of commission paid)					21,645	22,822	24,440	5%
Total					585,293	654,443	666,256	12%

## City of Muscatine

### Premium and Exposure Comparison

#### Notes

1 W.C. Experience Modification Final Final 0.77 0.72 -6%

2 Some policies may be subject to state tax and policy fees that are included in this illustration.

3 Higher limits may be available. Please let us know if you would like a quote for higher limits.

#### 4 Travelers

a Terrorism coverage can no longer 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.

b Changes in Terms from Expiring

#### Property

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

	Value Submitted	Travelers Value	% Change
2122 Stewart Road - storage building	522,807	535,157	2%
Pearl City Station - Muscatine IA	257,537	446,480	73%
HNI Hangar - Airport	468,730	475,623	1%

\* See Building Valuations done by Travelers on these buildings

\* Added Golf Facilities Properties Endorsement to insure the irrigation system valued at \$350,000;

This endorsement also includes \$100,000 for Greens, Tees, Fairways and Rough and \$100,000 - Trees, Plants & Shrubs at the golf course only.

\* The property forms have been revised; Travelers did sent out prior notice of changes;

Some changes are broadening and others restrict coverage;

#### \* Inland Marine

Contractors Equipment, Miscellaneous Scheduled Property and Fine Arts - Traveler sent out prior notice advising the flood deductibles would change.

The Flood Deductible will change as follows:

Flood Zones C & X - \$25,000 Deductible (expiring \$5,000)

Flood Zones B & X500 & X\* - \$100,000 Deductible (expiring \$5,000) X\* means

X\* - means the property is partially within a special flood zone but the existing structure is not effected and not in a flood plain.

Flood Deductible - Unmapped Location - \$250,000 (expiring \$5,000)

#### General Liability

\* EMT Professional Liability Coverage has been revised; Prior Notice was sent out by Travelers of this;

Reduction in coverage - definition professional health care services no longer includes the performance of autopsies or medical procedures related to organ donations, any psychiatric counseling service, treatment, advise or instruction or the service of any person as a formal accreditation, standard review, peer review or equivalent professional board or committee or member of any professional organization or committee.

## City of Muscatine

### Premium and Exposure Comparison

#### 5 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

#### 6 Employers Liability Maritime Coverage

a This policy will be Included on the underlying schedule with the Travelers Umbrella policy as expiring.

#### 7 Crime

a Crime policy premium is a 3 year prepaid policy effective 7/1/2012-2015.

#### 8 Flood

a The limit 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.

#### 9 HMA Service FEE/Commission Disclosure

Coverage receiving commission:

Pollution for Fuel Tank

Workers Compensation

Police and Fire Medical

Flood Policies

Liquor Liability

Fee on remaining lines

(Three year prepaid amount divided by 3)

#### Commission/Fee

2012	2013
273	264
13,541	13,592
5,400	5,400
2,617	2,655
253	307
21,645	22,822
43,729	45,040

## City of Muscatine

### Premium and Exposure Comparison

Options	From	To	Premium	Change	Accept	Reject
<b>1 Property</b>						
Increase Deductible for all losses except earthquake	5,000	25,000	82,993	(7,009)		X
Increase Wind/ Hall Deductible only	5,000	25,000	85,560	(4,442)		X
<b>2 Automobile</b>						
Increase Catastrophic Physical Damage Deductible	5,000	25,000	16,764	(3,513)		X
<b>3 General Liability</b>						
Increase Sewer Back Up	100,000	250,000		1,054		X
	100,000	500,000		2,102		X
	100,000	1,000,000		4,210		X
<i>*Sewer Back Up is Excluded under the Umbrella</i>						
<b>Add Terrorism</b>						
4 Dredge Excess Indemnity			390	8,190		X
<b>5 Airport Liability Policy</b>						
a Three Year Policy Term/Premium Paid Annually - \$2,985 Installment			8,955		X	
b Terrorism Options for Annual Policy						
1 Add Terrorism Liability- applies to Annual Premium Option			299			X
2 Add War Liability at \$5,000,000 Limit if Terrorism is not Purchased			299			X
3 Add War Liability at 5,000,000 Limit if Terrorism is purchased			75			X
** War Liability adds coverage for war, hi-jacking , strikes, riots, civil commotions or labor disturbances, acts with political terrorist purposes, malicious act or act of sabotage, confiscation, seizure, detention for title or use by or under the order of any Government or public or local authority.						
<i>Below are some scenarios where the war overage would come into play for an airport</i>						
* A terrorist hijacks an aircraft from the airport and uses it to conduct a terrorist act. The airport could be held liable for such reasons as not controlling access to the airport in the proper fashion, and there would be no coverage under the policy without the War Liability endorsement.						
* A group of striking and/or rioting citizens cause damage to airport tenant's property and aircraft on the field because the airport failed to control access to the airport.						
* A disgruntled employee fills the gas tank of several aircraft with sugar or some other form of sabotage causing damage to the aircraft.						
<b>6 Crime Options</b>						
a See Separate Document						

## ***City of Muscatine***

### ***Premium and Exposure Comparison***

#### ***Subjectivities***

- 1 Airport Liability - Signed election or rejection of terrorism coverage. (Received)

#### ***Payment Plans***

Package Coverage - Travelers

Workers Compensation - United Heartland

All Other Lines

Flood

4 Payments, 25% Due at Inception, September, November, & February

9 Monthly Installments

Annual

Direct Bill Annual



**City of Muscatine**  
**Insurance Premium Comparison**  
(Prepared by City Finance Department 6/18/13)  
**By Policy**

	Actual 2011/2012	Budget 2012/2013	Revised Estimate 2012/2013	Budget 2013/2014	Insurance Proposal 2013/2014
Automobile	\$ 64,786	\$ 69,970	\$ 59,375	\$ 66,501	\$ 66,553
Prior Year Audit Adjustment	(276)	-	-	-	-
Actual/Estimated Endorsements	-	6,531	3,078	4,500	4,500 *
Prior Year Audit Adjustment	-	-	(2,254)	-	-
General Liability	58,538	61,601	63,616	71,250	72,004
Deductibles/Misc.	-	5,000	5,000	5,000	5,000 *
Mobile Equipment/Inland Marine	21,709	24,056	14,753	17,481	43,832 (Inc. Fine Arts)
Workers Compensation	156,127	168,978	159,303	181,401 (1)	159,910
Prior Year Audit Adjustment	(6,330)	-	(3,592)	-	-
Buildings and Contents:					
Clark House	15,145	27,400	22,282	24,065	To be determined **
Sunset Park	14,551	16,400	15,100	16,308	To be determined **
Other City Property	74,007	78,974	89,561	99,207	90,002
Boiler Insurance	6,017	6,499	(Inc. in Bldg & Contents above)	(Inc. in Bldg & Contents above)	(Inc. in Bldg & Contents above)
Umbrella Liability	38,395	41,466	41,502	46,481	53,111
Umbrella Liability (Housing)	1,286	1,388	1,242	1,391	To be determined **
Police and Fire Medical	12,285	12,899	36,000	36,000	36,000 *
Personnel:					
Employee Blanket Bond	1,117	1,207	1,869	1,869	1,869 *
Public Officials Liability	7,712	8,329	15,574	17,443	19,904
Police Officers Liability	31,237	33,736	38,165	42,745	45,242
Employment Practices Liability	21,778	23,520	26,503	29,683	30,021
Miscellaneous:					
Fine Arts	20,190	17,974	28,230	29,590	(In Inland Marine Above)
Employee Benefit Policy	463	500	504	564	1,080
Cyber Liability	1,413	1,526	4,108	4,601	3,992
Underground Storage Tanks (Petroleum Marketers)	2,760	5,246	2,900	3,000	3,000 *
Storage Tank Pollution Liability	5,154	5,566	2,726	3,053	2,639
Dredge Insurance	20,615	22,264	20,615	23,089	21,416
Liquor Liability (Golf)	2,148	2,293	2,027	2,270	5,500 **
CVB General Liability and Officers Ins.	N/A	N/A	707	778	To be determined
Airport Liability	2,985	3,224	2,985	3,224	2,985
National Flood Insurance Program	12,086	13,053	12,663	14,182	13,322
Reduction from Insurance Agent Estimates		(10,000)	-	-	-
Agent Fees (Included by Policy in Actuals)					22,822
<b>Total Base Premiums</b>	<b>\$ 585,898</b>	<b>\$ 649,600</b>	<b>\$ 664,542</b>	<b>\$ 745,676</b>	<b>\$ 704,704</b>
<b>Totals without Public Housing</b>			<b>\$ 625,918</b>	<b>\$ 703,912</b>	<b>\$ 704,704</b>
<b>Totals without Housing, CVB, and Workers Comp</b>			<b>\$ 465,908</b>	<b>\$ 521,733</b>	<b>\$ 544,794</b> (\$23,061 over Budget excluding Workers Comp, Hsg. and CVB ***)

1. Budgeted Workers Compensation premiums are estimated amounts - actual amounts to be determined based on budgeted wages of each operating department.

\* City estimates for policies or other items not on the Holmes/Murphy schedule include those for estimated policy endorsements, deductibles, policies not renewing on 7-1-13, and adjustments for prior year 3-year prepaid policies.

\*\* Holmes Murphy and City staff are still seeking insurance proposals for Clark House and Sunset Park insurance; information not yet available.

\*\*\* It is proposed that the premiums over the budgeted amount in the General Fund Risk Management budget be funded from the Insurance Trust (current balance \$73,545).

# Historical Rate Analysis

City of Muscatine

July-13

## Coverages

2012

2013

All Lines	\$	563,648	\$	637,046
Brokerage Fee (Net of Commission)	\$	21,645	\$	22,822
Total Costs	\$	<b>585,293</b>	\$	<b>654,443</b>

Annual Expenditures	\$	49,993,876	\$	54,362,310
Annual Expenditure Increase				<b>9%</b>

<b>Fixed Costs rate per \$1000 Expenditures</b>		\$	<b>11.71</b>	\$	<b>12.04</b>
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**Rate Increase** 3%