

**City of Palmer
Action Memorandum No. 18-068**

Subject: Authorizing the City Manager to Purchase Insurance Coverage for the Period July 1, 2018, through June 30, 2019, per the Premium Quote Submitted by the City's Insurance Broker, Insurance Brokers of Alaska

Agenda of: July 10, 2018

Council Action: **Approved** **Amended:** _____
 Defeated

Originator Information:

Originator: City Manager

Department Review:

Route to:	Department Director:	Signature:	Date:
_____	Community Development	_____	_____
<u> X </u>	Finance	<u><i>[Signature]</i></u>	<u>06/19/18</u>
_____	Fire	_____	_____
_____	Police	_____	_____
_____	Public Works	_____	_____

Approved for Presentation By:

	Signature:	Remarks:
City Manager	<u><i>[Signature]</i></u>	_____
City Attorney	<u><i>[Signature]</i></u>	_____
City Clerk	<u><i>Norma L. Alley</i></u>	_____

Certification of Funds:

Total amount of funds listed in this legislation: \$ 327,769.57

This legislation (√):

<input type="checkbox"/>	Creates revenue in the amount of:	\$ _____
<input checked="" type="checkbox"/>	Creates expenditure in the amount of:	\$ <u>327,769.57</u>
<input type="checkbox"/>	Creates a saving in the amount of:	\$ _____
<input type="checkbox"/>	Has no fiscal impact	

Funds are (√):

<input checked="" type="checkbox"/>	Budgeted	Line item(s): <u>Various Accounts</u>
<input type="checkbox"/>	Not budgeted	_____

Director of Finance Signature: *[Signature]*

Attachment(s):

- Insurance Brokers of Alaska Commercial Insurance Proposal

Summary Statement/Background:

Insurance Brokers of Alaska is the City's current Insurance Broker. They presented the attached proposal from Alaska Public Entity Insurance (APEI) to continue as the City's Insurance Carrier for the year beginning July 1, 2018.

The insurance coverage includes property (including earthquakes and fire); crime; general liability; police professional liability; auto liability and physical damage; and worker's compensation.

The last contract was for \$302,096.66. This contract is for \$327,796.57, which is an increase of \$25,672.91.

The proposal from the Alaska Public Entity Insurance (APEI) has a gross premium of \$371,287. The City will receive a total of \$58,157.80 in various credits (including a longevity credit of \$12,707.80), resulting in a net premium of \$327,796.57.

This increase is primarily from an increase in physical damage coverage (asset value increase) by over \$11,000.00, general liability by \$13,000, and auto by \$6,000. Workman's comp dropped almost \$3,000 which is a good sign for the future.

The City has had insurance coverage with excellent service through APEI since 2008

Administration's Recommendation:

To approve Action Memorandum No. 18-068 Authorizing the City Manager to Purchase Insurance Coverage for the Period July 1, 2018 through June 30, 2019, per the Premium Quote submitted by the City's Insurance Broker, Insurance Brokers of Alaska.

PREMIUM SUMMARY

COVERAGE	EXPIRING 2017-2018	PROPOSED 2018-2019
Property Including Earthquake & Flood	\$71,414.29	\$82,824.729 (1)
Crime	Included in above	Included in above
General Liability	\$40,163.81	\$53,641.02 (2)
Police Professional Liability	Included in GL	Included in GL
Auto Liability & Physical Damage	\$81,185.78	\$87,207.93(3)
Workers' Compensation	\$105,854.49	\$102,163.70 (4)
APEI PKG TOTAL DUE AT BINDING	\$298,618.37	\$325,837.37
2018-Longevity Credit	-\$10,845.71	-\$12,707.80
APEI PKG TOTAL	\$287,772.66	\$313,129.57
Airport Owners/Operators Liability	\$7,854.00	\$8,050 (5)
Inland Marine	\$6,470.00	\$6,590 (6)
GRAND TOTAL	\$302,096.66	\$327,769.57

***Longevity Credit: Reflects the member's loss experience and time with APEI/Pool - Applied at renewal**

(1) Property Up - Due to increases in excess costs and increase in property values. 2017 was a difficult year for worldwide property reinsurance market, with significant number of catastrophes. This combined with a few large Alaska claims in recent years, has resulted in an overall property rate increase.

(2) GL Up - APEI experienced several significant liability claims in recent years, affecting both school district and municipal members. These liability claims have penetrated the excess layer, causing concern among the excess carriers for future large claims.

(3) Auto Up - Increase in # of autos

(4) WC Down - Costs are down, for APEI retained layer and excess coverage layer. X-Mod down from 1.12 to 1.07 and a payroll shift to lower rate.

(5) Airport Owners & Operators Up - Rate increase. ACE provided an optional quote w/\$5k deductible (\$7,750)

(6) IM Up - Carrier rate increase from \$1.178 to \$1.20

Airport Owners & Operators - If terrorism and war coverage is requested add \$805 to above premium. Airport Owners/Operators Premium is 25% Min Earned Premium, No Flat Cancellations

Inland Marine - Quote doesn't include Terrorism, if elected add \$194 to above quote, when policy is received there will be a terrorism rejection form to sign and return and credit will be applied.

PREMIUM CREDITS

PREMIUM CREDITS: Applied to 2018 – 2019

GL: LC and safety meetings	\$ 4,910.00
WC: LC Training & Safety meetings	\$14,665.00
Auto:	\$ 0
Property: LC/Fire Dept./Sprinkler	\$ 8,726.00
3 - Year Agreement	\$17,149.00
<u>Longevity Credit</u>	<u>\$12,707.80</u>
Total	\$58,157.80

(Gross Premium w/out Credits \$371,287)

PREMIUM CREDITS: Applied to 2017 – 2018

GL: LC and safety meetings	\$ 4,462.65
WC: LC Training & Safety meetings	\$19,369.12
Property: Site Inspections included in Fire Dept. credits	
Fire Department	\$ 1,014.68
Sprinklered Bldgs.	\$ 5,276.35
<u>Dividend Credit Given</u>	<u>\$10,845.71</u>
Total	\$40,968.51

PREMIUM CREDITS: Applied to 2016 – 2017

GL: LC and safety meetings	\$ 4,293.27
WC: LC Training & Safety meetings	\$18,567.49
Property: Site Inspections included in Fire Dept. credits	
Fire Department	\$ 1,292.19
Sprinklered Bldgs.	\$ 5,291.54
<u>Dividend Credit Given</u>	<u>\$15,907.04</u>
Total	\$45,351.53

PREMIUM CREDITS: Applied to 2015 – 2016

GL: LC and safety meetings	\$ 4,439.30
WC: LC Training & Safety meetings	\$ 4,985.71
Property: Site Inspections included in Fire Dept. credits	
Fire Department	\$ 753.08
Sprinklered Bldgs.	\$ 2,790.16
<u>Dividend Credit Given</u>	<u>\$12,070.39</u>
Total	\$25,038.63

PREMIUM SUMMARY – LAST 4 YEARS

COVERAGE	EXPIRED 2015-2016	EXPIRING 2016-2017	EXPIRING 2017-2018	PROPOSED 2018-2019
Property with Earthquake & Flood	\$40,841.28	\$65,761.61	\$71,414.29	\$82,824.72
Crime	Included in above	Included in above	Included in above	Included in above
General Liability	\$39,953.68	\$36,707.44	\$40,163.81	\$53,641.02
Police Professional Liability	Included in GL	Included in GL	Included in GL	Included in GL
Auto Policy with Physical Damage	\$57,662.46	\$65,462.89	\$81,185.75	\$87,207.93
Workers' Compensation	\$94,728.46	\$99,955.00	\$105,854.49	\$102,163.70
APEI PKG SUB-TOTAL	\$233,185.88	\$267,886.94	\$298,618.37	\$325,837.37
Dividend APEI	-\$12,070.39	-\$15,907.04	-\$10,845.71	-\$12,707.80
APEI PKG TOTAL	\$221,115.49	\$251,979.90	\$287,772.66	\$313,129.57
Airport Owners/Operators Liability	\$7,700.00	\$7,854.00	\$7,857.00	\$8,050.00
Inland Marine	\$6,470.00	\$6,470.00	\$6,470.00	\$6,590.00
GRAND TOTAL	\$235,285.49	\$275,492.88	\$302,099.66	\$327,769.57

PROPERTY INSURANCE

Insurance Carrier:	Alaska Public Entity Insurance
Policy Period:	July 1, 2018 to July 1, 2019
Coverage:	All Risk for direct physical damage including boiler & machinery, earthquake and flood, subject to standard policy terms, conditions, and exclusions.
Property:	\$200,000,000 Program Limit Shared by all participants
Earthquake:	\$ 75,000,000 Program Limit Shared by all participants
Flood:	\$ 75,000,000 Program Limit Shared by all participants
Equipment Breakdown:	\$200,000,000 Program Limit Shared by all participants
Location, Limits & Property Covered:	See Attached Schedules for Limits
Co-Insurance:	None
Recovery Basis:	Replacement Cost - Buildings, Contents and Electronic Data Processing Equipment
Deductible:	\$10,000 Per Occurrence - Building and B&M \$ 5,000 Each Claim - Contents, EDP, Fine Arts
Deductible:	\$10,000 Each Claim - Earthquake & Flood

Note: Contents value includes fine arts, EDP/media and leased equipment

Yellow highlighted items on the property schedule are values that have increased