

**CITY OF TEMPE
REQUEST FOR COUNCIL ACTION**
**Council Meeting Date: 06/23/2016
Agenda Item: 6A5**

ACTION: Approve the annual excess insurance renewal program for fiscal year 2016/2017 to include excess property, primary and excess liability, crime and fraudulent impersonation, excess workers' compensation, environmental pollution, underground storage tanks, foreign travel and network security and privacy insurance purchased through the City's insurance broker, Marsh USA.

FISCAL IMPACT: The total premium for the fiscal year shall not exceed \$1,157,347. Sufficient funds have been appropriated in the Risk Management Fund – cost center 2621 (Risk Management) and Workers' Compensation Fund – cost center 2701 (Workers' Comp) for the anticipated expenditure.

RECOMMENDATION: Approve the 2016/2017 excess insurance renewal program.

BACKGROUND INFORMATION: Marsh USA the City's insurance broker, markets the City's insurance needs with numerous insurance carriers globally to obtain the most competitive package and pricing with the broadest coverage, terms, and conditions for the City. Marsh USA, Inc. solicited competitive quotes for the following coverage's for fiscal year 2016/2017:

Coverage	Name of Carrier	Exposure/Limits	Insurance Premium
Property	Lexington (excess SIR \$100,000)	\$869,759,275	\$314,461
	Lexington (Bridges)	\$134,262,350	\$ 40,539
	Lexington (Auto Physical Damage – Over the Road Vehicles valued over \$200,000)	\$ 41,109,320	\$ 10,000
Liability	Allied Public Risk (excess SIR \$2,000,000)	\$ 10,000,000	\$258,901
	Berkley	\$ 15,000,000	\$119,000
	Great American Insurance Co. of New York	\$ 15,000,000	\$ 61,000
Workers Compensation	Safety National	\$132,553,408	\$236,608
Crime	Fidelity & Deposit	n/a	\$ 11,321
Crime Fraudulent Impersonation	Fidelity & Deposit	n/a	\$ 328
Environmental Pollution	Ironshore	n/a	\$ 29,929
Underground Storage Tanks	ACE	n/a	\$ 742
Network Security & Privacy	AIG	n/a	\$ 50,608
Foreign Policy Package – International Travel	Chubb/ACE	n/a	\$ 2,500
Surplus Lines Taxes/Fees – property, environmental, and network security			\$ 21,410

The total 2016/17 excess insurance renewal premium represents an approximate 3.11% (\$37,189) decrease over the current year, reflecting the continuing soft US property insurance market and competitive renewal quotes. The largest decreases in premiums were found in the City's property coverage as the incumbent property insurer offered a competitive option with a 2-year rate guarantee that covers property, auto physical damage for both on-site and over-the-road coverage, and property coverage for bridges. A small decrease was also seen in our excess liability coverages.

Premium for excess workers' compensation coverage increased 6.37%. This increase in premium for workers' compensation coverage is reflective of increased medical costs and an increase in the City's exposures (payroll).

The premium for the City's Environmental Coverage increased 3.7% and coverage continues to include pre-existing conditions for all locations. Underground Storage Tank Liability coverage was renewed to reflect a 7/1/2016 policy renewal date to be consistent with other insurance coverage effective dates.

Premium for the City's Network Security and Privacy Liability coverage increased 23.46%. The increase was due to an increase in Event Management limits from \$1,000,000 to \$3,000,000 and increases in frequency and severity of losses in the cyber market.

New coverages were added to the City's insurance program, including Crime Fraudulent Impersonation Coverage and a Foreign Policy Package for international travel.

Marsh was able to obtain the best possible program for the City's exposures at the most reasonable rates in the current insurance market climate. This insurance renewal program was reviewed by the Risk Management Trust Board at its June 1, 2016 meeting.

ATTACHMENTS: Marsh Marketing Results

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