

**CITY OF LA VISTA
MAYOR AND CITY COUNCIL REPORT
SEPTEMBER 2, 2014 AGENDA**

Subject:	Type:	Submitted By:
INSURANCE PROGRAM - PROPERTY, LIABILITY AND WORKERS COMPENSATION	◆ RESOLUTION ORDINANCE RECEIVE/FILE	RITA M. RAMIREZ ASSISTANT CITY ADMINISTRATOR/ DIRECTOR COMMUNITY SERVICES

SYNOPSIS

A resolution has been prepared accepting the property, liability and workers' compensation insurance program offered by Travelers at an annual premium cost of \$381,361.

FISCAL IMPACT

Funding was included in the FY 2015 General Fund budget for property, liability and workers' compensation insurance premiums.

RECOMMENDATION

Approval.

BACKGROUND

On September 3, 2013 the Council authorized that a notice of termination be given to the League Association of Risk Management (LARM), the insurance pool that currently provides the City's property, liability and workers' compensation coverages. The City's commitment with LARM expires on September 30, 2014. Giving this notice was necessary to put the City in a position to explore other insurance coverage options.

An interlocal cooperation agreement between the cities of Hastings, Holdrege, Papillion and La Vista was approved by Council on March 4, 2014. This agreement created an Insurance Service Group and authorized the cities to work collectively with an insurance consultant to jointly select an insurance broker who would market and manage insurance coverages for said cities. The goal of the interlocal was to create an opportunity to improve the product quality and cost efficiency of the insurance coverage for all parties.

Through the insurance consultant, the cities collectively issued a Request for Proposals for Insurance Agency/Broker Services dated March 14, 2014. Six proposals were submitted and four brokers were interviewed. An agreement was approved with Arthur J. Gallagher & Co. on May 6, 2014.

Insurance coverage specifications were developed based on each city's current program and marketed by Gallagher. Attached are Gallagher's marketing report and an overview prepared by Charlesworth & Associates. As you can see, the insurance program proposed by Travelers offers significant savings over the current LARM premium. The savings are even more significant if you consider that we received information from LARM in June stating we should anticipate an 8.7% increase for FY 2015. Based on this, it is our recommendation that the City approve the insurance program offered by Travelers effective October 1, 2014.

RESOLUTION NO. _____

A RESOLUTION OF THE MAYOR AND CITY COUNCIL OF THE CITY OF LA VISTA, NEBRASKA, ACCEPTING THE PROPERTY, LIABILITY AND WORKERS' COMEPNSATION INSURANCE PROGRAM OFFERED BY TRAVELERS AT AN ANNUAL PREMIUM COST OF \$381,361.

WHEREAS, the City of La Vista previously authorized that a notice of termination be given to the League Association of Risk Management (LARM), the insurance pool that currently provides property, liability and workers' compensation coverages for the City; and

WHEREAS, the City of La Vista entered into an interlocal cooperation agreement with the cities of Holdrege, Hastings and Papillion to create an Insurance Service Group and work collectively with an insurance consultant to jointly select a broker to market and manage insurance coverages; and

WHEREAS, the four cities collectively issued an RFP for Insurance Agency/Broker Services and ultimately selected Arthur J. Gallagher & Co. to serve in this capacity; and

WHEREAS, Gallagher put together insurance coverage specifications and marketed the desired coverage; and

WHEREAS, Gallagher has recommended a proposed program submitted by Travelers that offers comparable coverage and significant savings over the City's existing provider.

NOW THEREFORE, BE IT RESOLVED, by the Mayor and City Council of the City of La Vista, Nebraska that the insurance program submitted by Travelers for property, liability and workers compensation coverages be, and the same hereby is, accepted and approved effective October 1, 2014 at an annual premium cost of \$381,361.

PASSED AND APPROVED THIS 2ND DAY OF SEPTEMBER 2014.

CITY OF LA VISTA

Douglas Kindig, Mayor

ATTEST:

Pamela A. Buethe, CMC
City Clerk



CHARLESWORTH & ASSOCIATES, LC
Insurance Consulting & Risk Management

Bob Charlesworth, CPCU, ARM, ALCM, AIS
James Charlesworth, ARM
Connie Sargent, ARM
Joan Dostal, CPCU
Art Charlesworth, CPCU, CLU, ARM, *Founder Emeritus*

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August 27, 2014

Ms. Rita M. Ramirez
Assistant City Administrator
City of La Vista
8116 Park View Blvd.
La Vista, NE 68128

**Re: Property, Liability and Workers' Compensation Insurance
October 1, 2014**

Dear Ms. Ramirez:

The following is offered as an overview of the property, liability and workers' compensation insurance marketing project. Our firm was retained by the City to assist in the preparation of proposal specifications, management of the underwriting process, reviewing the proposals and preparing a comprehensive spreadsheet comparing coverages, conditions and premiums.

Background

A Resolution passed on September 3, 2013 gave notice of termination to the League Association of Risk Management (LARM) associational insurance trust. This allowed the City to solicit competitive alternative insurance products effective October 1, 2014. The Council approved an Interlocal Agreement on March 4, 2014 between the cities of Hastings, Holdrege, La Vista and Papillion for the purpose of collectively selecting a single insurance broker who had access to a wide range of insurance products and for the selected broker to seek competitive insurance proposals. The Agreement with Arthur J. Gallagher to provide said broker services was approved on May 6, 2014.

Insurance coverage specifications were developed based on your current program and included various coverages and conditions to fully understand the details of the risk transfer program. Gallagher was required to complete a detailed questionnaire which provided the information for the attached spreadsheet.

Analysis

Arthur J. Gallagher has provided the attached marketing report which details the extensive market search conducted. Although Travelers was the only insurer to provide a full proposal, there would be options available if Travelers was no longer a competitive market. However, since Travelers expressed a clear aspiration to be the City's insurer, Gallagher focused their efforts in order to secure the most competitive program and the broadest coverages.

Travelers Insurance Company has a long standing national reputation as a leader in municipal insurance products and their program provides a measure of stability in the always uncertain insurance marketplace. Their proposal includes excellent coverages and includes protection designed to respond to reasonably foreseeable events or exposures. A Travelers representative did visit the City during the underwriting, including an interview with staff. They expressed a sincere desire to partner with the City as your insurance carrier.

The attached spreadsheet includes a summary of the Travelers program, and also information related to the expiring LARM risk sharing program. It should be noted that the LARM information is based on information available from the expiring plan and has not been reviewed or confirmed by LARM. It is offered for information only. Pursuant to a memo from LARM dated June 25, 2014 to its members, the Board approved an average benchmark for the 2014-2015 year of approximately +8.7%.

Summary

Our firm has reviewed all of the proposal details with City staff and concur with the insurance broker that the Travelers program offers excellent coverage terms and conditions. Like all risk transfer programs, there are differences in limits and deductibles. However, based on our knowledge of regionally available insurance products, we believe the Travelers program is both comprehensive and competitive. It is therefore the recommendation of our firm that the City consider accepting the Travelers property, liability and workers' compensation insurance program effective October 1, 2014 for the annual premium of \$381,361.

Respectfully,



James Charlesworth, ARM

JC/cs
Encl.



Arthur J. Gallagher & Co.

Market Review for:

CITY OF LA VISTA (NE)

Obtaining a comprehensive and competitively priced program of insurance in the marketplace requires more than access to the market. Past experience and credibility with markets are the foundation of a successful campaign for your company. Accurate and detailed specifications are essential in all of Arthur J. Gallagher Risk Management Services, Inc. communications to each insurance company contacted.

Insurance Carrier	Coverages	<u>Carrier Position</u> • Quoted • Declined & Reason • Indication • Verbal Quote
Travelers Insurance Companies	General Liability, Law Enforcement Liability, Public Officials Liability, Employment Practices Liability, Automobile Liability and Physical Damage, Property/Inland Marine, Workers Compensation, Umbrella, Cyber	Quoted - recommended
Argonaut Great Central Insurance Company	General Liability, Public Officials Liability, Law Enforcement Liability, Commercial Automobile and Physical Damage, Excess Liability, Employment Practices Liability	Declined Outside Target Market
AIG Companies	Property/Inland Marine	Declined minimum deductible is \$250,000
Brit First Dollar	Property/Package/Excess	Declined - Does not write in NE
Chubb	Property/Inland Marine	Quoted not competitive (higher deductible and premium)
EMC	Workers Compensation/package/Excess	Declined not competitive
Citizens Insurance Company	Crime	Quoted - recommended
Hiscox Insurance Company	Crime	Quoted not competitive in price and deductibles
Zurich American Insurance Company	Property/Inland Marine	Declined Could not be competitive
One Beacon	Liability/Excess	Quoted not competitive
One Beacon	Workers Comp/Property/Inland Marine	Declined - not competitive
Bituminous Insurance Company	Workers Compensation	Declined not competitive
Beazley Insurance Company	Cyber Liability	Quoted not competitive in pricing/high deductibles
Illinois National Insurance Company	Cyber Liability	Quoted not competitive in pricing/high deductibles

**CITY OF LA VISTA, NEBRASKA
PROPERTY AND LIABILITY INSURANCE
OCTOBER 1, 2014 - OCTOBER 1, 2015**

AGENCY:
CARRIER:

**Arthur J. Gallagher
Travelers A++: XV
Renewal 10/01/2014-2015**

**N/A
League Association of Risk Management
Expiring 10/01/2013-2014 (footnote)**

PREMIUM SUMMARY -

PROPERTY:	\$	32,404	\$	61,906
INLAND MARINE:	\$	18,258		Included
TAX REVENUE INTERRUPTION:	\$	2,850	\$	7,839
GENERAL LIABILITY / EBL:	\$	34,145	\$	71,349
LIQUOR LIABILITY:	\$	252	\$	715
PUBLIC ENTITY MANAGEMENT LIABILITY:	\$	7,424	\$	12,285
EMPLOYMENT PRACTICES LIABILITY:	\$	15,314		Included
LAW ENFORCEMENT LIABILITY:	\$	24,452	\$	25,777
AUTOMOBILE:	\$	49,078	\$	111,893
CRIME:	\$	2,210		Included
UMBRELLA:	\$	19,197		Included in primary limits
TERRORISM:		Included		Included
WORKERS' COMPENSATION:	\$	169,782	\$	213,326
CYBER LIABILITY:	\$	5,995		Not Included
*BROKER FEE:	\$	26,615		N/A
TOTAL:	\$	407,976	\$	505,090

Premium Net Broker: \$381,361

*IT SHOULD BE NOTED THAT THERE IS A SEPARATE, INDEPENDENT AGREEMENT IN PLACE FOR THE BROKER FEE. THIS FEE HAS BEEN APPROVED BY THE CITY COUNCIL AND IS NOT TIED TO THE PREMIUM OR THE INSURANCE COMPANY.

PROPERTY

LIMIT:	\$29,355,799 Blanket Buildings & Contents	\$30,768,227 Blanket Buildings & Contents
EARTHQUAKE / FLOOD:	\$2,500,000 Per Occurrence / Aggregate	\$1,000,000 Per Occurrence / Aggregate
REPLACEMENT COST:	Yes	Yes
DEDUCTIBLE:	\$25,000 Windstorm & Hail \$5,000 All Other Perils \$50,000 Earthquake / Flood	\$2,500 Windstorm & Hail \$2,500 All Other Perils \$2,500 Earthquake / Flood (\$100k zone B)
PROPERTY ANNUAL PREMIUM:	\$32,404	\$61,906

INLAND MARINE

CONTRACTOR'S EQUIPMENT		
LIMIT:	\$1,552,837 Scheduled Equipment \$100,000 Leased / Rented \$120,000 Unscheduled \$5,000 Unscheduled Max Per Item	Included in property -- Scheduled Equipment \$100,000 Leased / Rented \$100,000 Unscheduled \$5,000 Unscheduled Max Per Item
MISCELLANEOUS PROPERTY (Golf carts, fire department equipment, portable radios, etc.)	\$1,886,865 Scheduled Equipment \$100,000 Unscheduled \$5,000 Unscheduled Max Per Item	Included in property -- Scheduled Equipment \$100,000 Unscheduled \$5,000 Unscheduled Max Per Item
ANIMAL MORTALITY:	\$10,000 Per Dog / \$25,000 Agg.	Included
INLAND MARINE DEDUCTIBLE:	\$5,000 Per Occurrence (\$25,000 W/H)	\$2,500 Per Occurrence
INLAND MARINE PREMIUM:	\$18,258	Included in Property

TAX REVENUE INTERRUPTION

LIMIT:	\$ 1,900,000 Sales Tax and Hotel Revenue Tax	\$ 3,603,255
PREMIUM:	\$ 2,850	\$ 7,839

CITY OF LA VISTA, NEBRASKA
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OCTOBER 1, 2014 - OCTOBER 1, 2015

AGENCY:
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Arthur J. Gallagher
Travelers A++: XV
Renewal 10/01/2014-2015

N/A
League Association of Risk Management
Expiring 10/01/2013-2014 *(footnote)*

GENERAL LIABILITY

LIMITS -	\$1,000,000 Each Occurrence \$1,000,000 Personal / Advertising Injury \$2,000,000 General Aggregate \$2,000,000 Products / Comp. Ops. Aggregate \$500,000 -- Fire Damage Legal Medical Payments -- Not Covered	\$5,000,000 Each Occurrence \$5,000,000 Personal / Advertising Injury \$5,000,000 General Aggregate \$5,000,000 Products / Comp. Ops. Aggregate \$100,000 -- Fire Damage Legal \$5,000 Medical Payments
DEDUCTIBLE:	None	None
G.L. ANNUAL PREMIUM:	\$33,772	\$71,349

EMPLOYEE BENEFIT LIABILITY

COVERAGE FORM:	Claims Made (No retro date)	Occurrence
LIMITS:	\$2,000,000 Each Claim \$6,000,000 Aggregate	\$5,000,000 Each Claim \$5,000,000 Aggregate
DEDUCTIBLE:	\$1,000 Per Claim	\$1,000 Per Claim
E.B.L. ANNUAL PREMIUM:	\$373	Included

LIQUOR LIABILITY--GOLF COURSE

Hall & Co. (JL Specialty Risk)

COVERAGE FORM:	Occurrence	Occurrence
LIMITS:	\$1,000,000 Each Claim \$1,000,000 Aggregate	\$1,000,000 Each Common Cause \$1,000,000 Aggregate
DEDUCTIBLE:	None	None
LIQUOR ANNUAL PREMIUM:	\$252	\$715

PUBLIC ENTITY MANAGEMENT LIABILITY

FORM:	Claims Made (10/1/2000 Retro Date)	Occurrence
LIMITS OF LIABILITY:	\$1,000,000 Each Wrongful Act \$2,000,000 Aggregate	Shared with Employment Practices Liability \$5,000,000 Each Wrongful Act \$5,000,000 Aggregate
DEDUCTIBLE:	\$10,000 Each Wrongful Act	\$2,500 Each Wrongful Act
ANNUAL PREMIUM:	\$7,424	\$12,285

EMPLOYMENT PRACTICES LIABILITY

FORM / RETRO DATE:	Claims Made (10/1/2000)	Occurrence
LIMITS OF LIABILITY:	\$1,000,000 Each Wrongful Act \$2,000,000 Aggregate	Shared with Public Entity Mgmt Liability \$5,000,000 Each Wrongful Act \$5,000,000 Aggregate
DEDUCTIBLE:	\$10,000 Each Wrongful Act	\$2,500 Each Wrongful Act
ANNUAL PREMIUM:	\$15,314	Included

LAW ENFORCEMENT LIABILITY

FORM:	Occurrence	Occurrence
LIMITS OF LIABILITY:	\$1,000,000 Each Wrongful Act \$2,000,000 Aggregate	\$5,000,000 Each Wrongful Act \$5,000,000 Aggregate
DEDUCTIBLE:	\$10,000 Per Claim	\$2,500 Per Claim
ANNUAL PREMIUM:	\$24,452	\$25,777

CITY OF LA VISTA, NEBRASKA
PROPERTY AND LIABILITY INSURANCE
OCTOBER 1, 2014 - OCTOBER 1, 2015

AGENCY:
CARRIER:

Arthur J. Gallagher
Travelers A++: XV
Renewal 10/01/2014-2015

N/A
League Association of Risk Management
Expiring 10/01/2013-2014 *(footnote)*

AUTOMOBILE

LIABILITY LIMITS :	\$1,000,000	\$5,000,000
UNINSURED/UNDER. MOTORIST:	\$50,000 Each Occurrence	\$100,000 Each Occurrence
MEDICAL PAYMENTS:	\$5,000 All Vehicles	\$5,000 All Vehicles
LIABILITY DEDUCTIBLE:	None	None
AUTO LIABILITY ANNUAL PREMIUM:	\$36,945	\$48,299

AUTO PHYSICAL DAMAGE

AUTO PHYSICAL DAMAGE DEDUCT -	\$1,000 Comprehensive* \$1,000 Collision* *See vehicle schedule--varies	Varies by auto Varies by auto
PHYS. DAMAGE ANNUAL PREMIUM:	\$12,133	\$63,594

CRIME COVERAGE

INSURER & BEST RATING:	Citizens Insurance A:XIV	LARM
EMPLOYEE DISHONESTY:	\$250,000 Per Loss	\$100,000 Per Loss
FORGERY & ALTERATION:	\$250,000	\$100,000
THEFT, DISAPP. & DESTRUCTION	\$250,000	\$100,000
COMPUTER FRAUD / FUND TRANS.	\$250,000	
DEDUCTIBLE:	\$1,000	\$1,000
ANNUAL PREMIUM:	\$2,210	Included

UMBRELLA LIABILITY

FORM:	Umbrella	Not Needed--Included in primary limits
LIMITS OF LIABILITY:	\$4,000,000 Each Occurrence \$4,000,000 General Aggregate	
PROGRAM IN EXCESS OF:		
GENERAL LIABILITY:	Yes	
AUTOMOBILE LIABILITY:	Yes	
EMPLOYEE BENEFIT LIABILITY:	Yes	
PUBLIC OFFICIAL LIABILITY:	Yes	
LAW ENFORCEMENT LIABILITY:	Yes	
EMPLOYMENT PRACTICES LIABILITY:	Yes	
UMBRELLA ANNUAL PREMIUM:	\$19,197	

WORKERS' COMPENSATION

COVERAGE "A" STATUTORY:	Yes	Yes
EMPLOYERS LIABILITY LIMITS	\$100,000 Disease, Each Accident \$100,000 Disease, Each Employee \$500,000 Disease, Policy Limit	\$100,000 Disease, Each Accident \$100,000 Disease, Each Employee \$500,000 Disease, Policy Limit
WORKERS COMP. PREMIUM:	\$169,782	\$213,326

CYBER LIABILITY

Limit:	\$ 1,000,000 \$250,000 Crisis Management	
Deductible:	\$ 5,000	
Premium:	\$ 5,995	Not Included