



CITY OF WASHINGTON, ILLINOIS
City Council Agenda Communication

Meeting Date: June 21, 2021

Prepared By: Joanie Baxter, Finance Director *JB*

Agenda Item: Property and Liability Insurance Renewal

Explanation: Dennis Hermann, our agent from Alexander Murray Agency provided a renewal quote from Tokio Marine/HCC for property and liability insurance. This renewal represents the third year with HCC and Staff continues to be pleased with the risk management and claims administration services provided.

The renewal quote is \$151,835 as compared to a current premium of \$139,995 which represents an \$11,840 or 8.5% increase. As indicated in the attached memo from Dennis, the City did experience a high frequency of claims during the past year which led at least in part, to this increase, in addition to an increase in building material costs and replacement values. The quote for cyber coverage is \$8,558 which is a significant increase compared to the expiring premium of \$4,435 and Dennis is STILL pursuing other options for this coverage but has been told there isn't anything competitive.

Fiscal Impact: A total of \$163,900 was budgeted for FY21-22 for property and liability insurance, which in addition to the cyber coverage as currently quoted, the total renewal would be \$160,393 or \$3,507 under budget.

Recommendation/Committee Discussion Summary: Staff recommends approval to the City Council of the renewal of the property and liability insurance plans with Tokio Marine/HCC.

Action Requested: Approval as part of the Consent Agenda on June 21, 2021.

alexander | murray agency

Taking care of you. Then, now and tomorrow.

Owner/Agents

Dick Alexander
1960-1992

Ed Murray
1975-current

Dennis Hermann
2009-current

To: Mayor, City Council, & Staff

From: Dennis Hermann, Alexander Murray Agency

Date: 6/11/2021

Re: City of Washington, Property/Liability & Cyber Coverage Renewal



Attached, find our renewal proposal for the term July 1, 2021 thru July 1, 2022 as provided by Burnham & Flower with coverage by Tokyo Marine/HCC for the property/liability coverage and cyber coverage thru BCS Insurance for the City of Washington. These are the same brokerage and carriers as the expiring term with same coverage and limits other than updated property values.

The renewal quote for the property/liability is **\$151,835**. The expiring term premium with TM/HCC was \$139,995. **The renewal premium is therefore an increase of \$11,840 (8.5%)**. The increase in building material cost and resulting increase in replacement values as well as the City's recent claims history are the primary drivers causing this premium increase and according to conversations with the broker the increase is pretty evenly split between these two primary causes. In all however, I am very satisfied with this renewal quote.

I have attached the 2 year claims history with Tokyo Marine/HCC for your information. The history as currently tabulated could improve somewhat as we have two claims that remain in active subrogation and one other claim includes a \$30k reserve which we have pointed out to the broker/carrier that this reserve could be removed as the claims is settled. However, even without this \$30k reserve item, the carrier has paid out roughly \$168k in the 2 year period that we have had coverage with them and has collected premium of roughly \$270k. This is a 62% loss ratio which is pretty close to the tipping point to cause premium rate increases.

The quoted property/ liability premium of \$151,835 for this renewal is still below the premium paid 3 years ago for the '18-'19 term with Travelers, \$156,560. I would also add that the blanket property coverage in '18-'19 was \$25.4 million and this renewal term includes a blanket property value of \$29.4 million. All in all we are still finding a competitive rate with TM/HCC.

The renewal quote for the cyber coverage is \$8558. The expiring term premium with BCS Insurance was \$4435. The cyber premiums are substantially derived by total City revenue budget therefore some of this increase is connected to the increase in the City budgeted revenue from \$19.1 million to \$20.9 million. It is also true that cyber exposure is currently explosive which likely accounts for much of this premium increase. We are still working with the broker to confirm this is our best option for the City cyber coverage and may bring updated information as it is available prior to final approval of the cyber coverage and premium.

Full detail of the proposal has been provided to City staff and is available. A semi-annual installment has been set up for the invoicing..

I appreciate the opportunity to present this renewal quote and hope to continue to work with the City in providing these coverages.

It is currently our recommendation to accept the renewal quote from Burnham & Flower for the term July 1, 2021 thru July 1, 2022 of \$151,835 for property/liability and \$8558 for cyber coverage.

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