




CITY OF WASHINGTON, ILLINOIS
Committee of the Whole Agenda Communication

Meeting Date: June 13, 2022

Prepared By: Joanie Baxter, CPA – Finance Director 

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 fourth year with HCC and Staff continues to be pleased with the risk management and claims administration services provided.

The renewal quote is \$176,374 as compared to a current premium of \$151,835 which represents a \$24,539 or 16.2% increase. As indicated in the attached memo from Dennis, the City did experience a high frequency and volume 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. Dennis also provided an alternative proposal based on increasing deductibles on all policies which would result in a premium savings of \$15,237.

The quote for cyber coverage is still in process and a final total quote will be provided at the City Council meeting of June 20, 2022. The current premium for cyber coverage is \$8,558.

Fiscal Impact: A total of \$185,700 was budgeted for FY22-23 for property and liability insurance. The cyber coverage could have up to a 9% increase and still have the total premium costs within budget (\$9,326).

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, pending receipt of the quote for cyber coverage. Staff believes it is best to keep the deductible limits unchanged as it would only take a few claims to offset the potential savings of \$15,237.

Action Requested: Discussion and recommendation to City Council for approval on the Consent Agenda on June 20, 2022.

alexander | murray agency

Taking care of you. Then, now and tomorrow.

Owner/Agents

Dick Alexander
1960-1992

Ed Murray
1975-2012

Dennis Hermann
2009-current

To: Mayor, City Council, & Staff

From: Dennis Hermann, Alexander Murray Agency

Date: 06/09/2022

Re: City of Washington, Property/Liability & Cyber Coverage Renewal, 7/1/22-7/1/23

The following memo presents our renewal proposal for the City of Washington Property/Liability coverage for the July 1, 2022 thru July 1, 2023 term as provided by Burnham & Flower with coverage by Tokyo Marine/HCC for the property/liability coverage and cyber coverage thru a yet to be determined carrier but including possible quotes from Tokio Marine/HCC, CFC or BCS Insurance.

The renewal quote for the property/liability is **\$176,374**. The expiring term premium with TM/HCC was \$151,835. **The renewal premium is therefore an increase of \$24,539 (16.2%)**. The premium increase is primarily being driven by two factors. One, the increase in building material and labor cost and the resulting increase in replacement values and secondly, due to the loss history for the City over of the past year.

Our current term loss ratio (claims/premium) is 80% which includes some reserve amount for open claims. We see carriers getting concerned with current premium rating when an exposure is at 55-60% so we should expect some pricing adjustment on this renewal related to the recent losses.

We also had Tokio Marine/HCC quote alternate deductibles for the renewal. An increase in deductibles on property coverage from \$2500 to \$5000, general liability from \$0 to \$5000, auto liability from \$0 to \$5000, Inland Marine from \$2500 to \$5000, and auto physical damage comprehensive/collision from \$1000 to \$2500 would provide a credit on the above base quote of \$15,237.

The renewal proposal for the cyber coverage is still in process. We were informed on 06/08/2022 that CFC would not provide a quote for cyber coverage due to a lack of MFA (multi-factor authentication) for remote email usage by City staff. Resolution of that concern is being explored by the City IT provider in hopes of getting a quote from CFC. We have also submitted additional applications to two other carriers however at this time, we do not have a firm quote to present. The expiring term premium with BCS Insurance was **\$8558**. We have submitted an application with BCS as well but they are currently requiring a \$50k retention on all exposures. We are still working with the broker to obtain the best option for the City cyber coverage and will provide updated information as it is available.

Full detail of the proposal has been provided to City staff and is available electronically. 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, 2022 thru July 1, 2023 of \$176,374 for property/liability.

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