

City of Bloomington

2020 Insurance Renewal Report

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Evolving Market Conditions - Property

- Each year Nugent and COB Staff begin the renewal planning process in late October for the May 1 renewal.
- In October we alerted the City to potential for 10% increase in rates based on the market at the time.
- Property insurers sustained the worst two years of catastrophic losses in 2017 and 2018. 2017 Hurricanes represent the worst year on record for catastrophic insured losses. 2018 was the fourth worst year ever.
- During this same two-year period (and the previous 15 years) property insurance rates continued to decline.
- Insurance Executives demanded underwriting return to profitability.

Evolving Market Conditions - Property

- Property insurance rates began to increase moderately during the first half of 2019 (5-10%) but those ranges spiked further with year end rate increases averaging 25%+.
- Late October meeting expectation for the May 1, 2020 renewal was up to a 10% increase in property rates.
- In addition to rate increases, insurers also began reducing / restricting coverage especially on wind and hail damage claims in the Midwest.
- A revised budget was provided in February with this new information.

Evolving Market Conditions - Liability

- The Liability insurance market had seen rate decreases for much of the past 18 years (last rate increases of any material size were post 9/11).
- Insurer liability and auto underwriting results have deteriorated especially at the same time as the property market was hit with the two worst catastrophic years.
- At the same time, insurers have seen a significant increase in jury verdicts and an overall increase in litigation and litigation costs.
- During the second quarter of 2019 reinsurance rates on liability and auto coverages began to increase.

Evolving Market Conditions - Liability

- Projections in October were an additional 10% increase in the liability lines of coverage.
- By year end the liability market had crashed. There was no predictability of where rates would land until days before a renewal, with the higher layers of coverage becoming the most difficult and costly to place.
- Insurers also began restricting coverage for sexual abuse and traumatic brain injury in recreation related risks, paying additional attention to policy and procedures.

Renewal Plan

- As a result of the expected 10% rate increase at the October meeting we agreed to have Gallagher do an extensive marketing of all of the City's insurance coverages, even as the supply continued to tighten.
- Gallagher reported on its efforts in both December and January and their view was similar, that the 10% increase was no longer possible and more than likely looking at 30% and coverage restrictions / changes.

	<i>Expiring</i>	<i>Option 1</i>	<i>Option 2</i>	<i>Option 3</i>	<i>Option 4</i>	<i>Option 5</i>
	<i>2019 / 2020</i>	<i>Brit Fireman's Fund</i>	<i>Brit Fireman's Fund</i>	<i>Safety National / Travelers</i>	<i>Brit / IPRF Fireman's Fund</i>	<i>Safety National / IPRF</i>
<i>Property</i>	\$ 105,704	\$ 140,945	\$ 140,945	\$ 238,798	\$ 140,945	\$ 238,798
<i>Primary Liability</i>	\$ 326,794	\$ 465,804	\$ 436,443	\$ 337,628	\$ 436,443	\$ 337,628
<i>Excess Liability</i>	\$ 33,263	\$ 120,000	\$ 120,000	\$ 72,440	\$ 120,000	\$ 72,440
<i>Excess WC</i>	\$ 278,897	\$ 306,658	\$ 306,658	\$ 292,212	\$ 318,252	\$ 318,252
<i>Cyber</i>	\$ 20,956	\$ 23,751	\$ 23,751	\$ 23,751	\$ 23,751	\$ 23,751
<i>Crime</i>	\$ 7,544	\$ 7,544	\$ 7,544	\$ 7,544	\$ 7,544	\$ 7,544
<i>Boiler</i>	\$ 10,582	\$ 11,608	\$ 11,608	\$ 11,608	\$ 11,608	\$ 11,608
<i>UST</i>	\$ 5,035	\$ 5,945	\$ 5,945	\$ 5,945	\$ 5,945	\$ 5,945
<i>Broker Fee</i>	\$ 38,625	\$ 39,590	\$ 39,590	\$ 39,590	\$ 39,500	\$ 39,590
Total	\$ 827,400	\$ 1,121,845	\$ 1,092,484	\$ 1,029,516	\$ 1,103,988	\$ 1,055,556
		136%	132%	124%	133%	128%
<i>Property Limit</i>	\$393,702,636	\$397,996,211	\$397,996,211	\$397,996,211	\$397,996,211	\$397,996,211
<i>Total Liability Limit</i>	\$ 21,000,000	\$ 21,000,000	\$ 21,000,000	\$ 21,000,000	\$ 21,000,000	\$ 21,000,000
<i>Crime Limit</i>	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000
<i>Property Deductible</i>	\$ 25,000	\$ 125,000	\$ 125,000	\$ 50,000	\$ 125,000	\$ 50,000
<i>Auto Physical Damage</i>	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000
<i>Windstorm Deductible</i>	\$ 25,000	\$ 125,000	\$ 125,000	\$ 100,000	\$ 125,000	\$ 100,000
<i>Flood Zone A Deductible</i>	\$ 500,000	\$ 500,000	\$ 500,000	\$ 250,000	\$ 500,000	\$ 250,000
<i>Liability Self-insured Retentior</i>	\$ 125,000	\$ 125,000	\$ 125,000	\$ 125,000	\$ 125,000	\$ 125,000
<i>Crime Deductible</i>	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
<i>WC SIR - Police / Fire</i>	\$ 550,000	\$ 700,000	\$ 750,000	\$ 600,000	\$ 300,000	\$ 300,000
<i>WC Sir - All Other Employees</i>	\$ 450,000	\$ 450,000	\$ 500,000	\$ 500,000	\$ 300,000	\$ 300,000
<i>WC Sir - Presumptive cases</i>	\$ 450,000	\$ 750,000	\$ 750,000	\$ 600,000	\$ 300,000	\$ 300,000

	Option 6	Option 7	Option 8
	Safety National / Travelers	Safety National / Travelers	Safety National / Travelers
Property	\$ 223,798	\$ 238,798	\$ 223,798
Primary Liability	\$ 337,628	\$ 284,047	\$ 284,047
Excess Liability	\$ 72,440	\$ 72,440	\$ 72,440
Excess WC	\$ 292,212	\$ 292,212	\$ 292,212
Cyber	\$ 23,751	\$ 23,751	\$ 23,751
Crime	\$ 7,544	\$ 7,544	\$ 7,544
Boiler	\$ 11,608	\$ 11,608	\$ 11,608
UST	\$ 5,945	\$ 5,945	\$ 5,945
Broker Fee	\$ 39,590	\$ 39,590	\$ 39,590
Total	\$ 1,014,516	\$ 975,935	\$ 960,935
	123%	118%	116%

Property Limit	\$397,996,211	\$397,996,211	\$397,996,211
Total Liability Limit	\$ 21,000,000	\$ 21,000,000	\$ 21,000,000
Crime Limit	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000
Property Deductible	\$ 100,000	\$ 50,000	\$ 100,000
Auto Physical Damage	\$ 50,000	\$ 50,000	\$ 50,000
Windstorm Deductible	\$ 100,000	\$ 100,000	\$ 100,000
Flood Zone A Deductible	\$ 250,000	\$ 250,000	\$ 250,000
Liability Self-insured Retention	\$ 125,000	\$ 250,000	\$ 250,000
Crime Deductible	\$ 10,000	\$ 10,000	\$ 10,000
WC SIR - Police / Fire	\$ 600,000	\$ 600,000	\$ 600,000
WC Sir - All Other Employees	\$ 500,000	\$ 500,000	\$ 500,000
WC Sir - Presumptive cases	\$ 600,000	\$ 600,000	\$ 600,000