



## MEMORANDUM

Date: June 18, 2020  
To: Water Utility Commission  
From: Dan Duchniak  
Re: 7/1/2020 Business Insurance Renewal

The expiration of our current policy for business insurance is approaching on July 1. The attached spreadsheet shows that if we retain our current status quo level of coverage for all lines, our total package premium will increase \$10,158; 13.47%. This increase can be attributed to the typical 4% increase in property valuation, a higher premium trend in the market due to weather calamities such as hurricanes, floods, fires, etc. as well as a concern by the underwriters of potential liabilities for the upcoming GL construction project.

Our current policies with **LWMMI/MPIC** has a zero deductible for liability coverages and \$1,000 for property/equipment breakdown/contractor's equipment coverage. Rick Kalscheuer of R&R Insurance Services presented options that increase deductibles, thus lowering our premiums. Unfortunately, we cannot predict what our future claims will be, but after an analysis of past claims, our recommendation is to renew our policies with an increase to the liability deductible to \$1,000 and the property deductible to \$5,000. This would increase our current premium \$4,398; 5.83%.

In addition, we would propose additional coverage for **Cyber Risk Management**. Though our current policy with LWMMI includes 3<sup>rd</sup> party cyber liability coverage, this additional coverage would further protect us against data breaches by cyber criminals. As we continue to offer convenient ways for our customers to pay their water bills, the security of their payment information is imperative. The annual cost for this coverage with Chubb is \$1,852 for \$1,000,000 of coverage.

For **Workers Compensation** coverage, we recommend renewal with our current carrier, Erie Insurance. Erie is again offering a 42% flat premium dividend, which is a very favorable dividend for our industry.

*Again this year, our WC experience modification decreased from .71 to .69 which will decrease our total premium. This factor can be explained as 'an adjustment of an employer's premium for worker's compensation coverage based on the losses the insurer has experienced from that employer.' Basically, the employer with an average amount of WC losses would have a rating of 1.00 and pay 100% of the premium.*

**Recommended Motion:** Approve Business Insurance Coverage for the 7/1/20 policy year with LWMMI for Liability coverage, MPIC for Property and Equipment Breakdown coverage, Hanover for crime coverage, Chubb for Cyber Risk Management, and Erie for workers compensation at the quoted premiums and coverage limits.

Enc.

**Business Insurance Options - Policy Year 7/1/2020 - 7/1/2021**

Date: 6/19/2020

**Recommendation**

Deductibles:	Current	Plan year: 7/1/20-7/1/21 Deductible Options					
	7/1/19-7/1/20	Option 1	Option 2	Option 3	Option 4	Option 5	Option 6
<b>Liability</b>	<b>zero</b>	<b>zero</b>	<b>\$1,000</b>	<b>\$2,500</b>	<b>\$5,000</b>	<b>\$1,000</b>	<b>\$2,500</b>
<b>Property/Equip Breakdown</b>	<b>\$1,000</b>	<b>\$1,000</b>	<b>\$1,000</b>	<b>\$2,500</b>	<b>\$5,000</b>	<b>\$5,000</b>	<b>\$5,000</b>
<b>Liability Insurance:</b>							
Each Occurrence	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
General Aggregate	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited
Premises medical payments	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Public Officials Liability	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Personal and Adv limit	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Damage to premissis rented to us:	250,000	250,000	250,000	250,000	250,000	250,000	250,000
<b>Deductible</b>	<b>zero</b>	<b>zero</b>	<b>1,000</b>	<b>2,500</b>	<b>5,000</b>	<b>1,000</b>	<b>2,500</b>
<b>Auto Liability</b>							
Each Occurrence	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Medical Payments	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Comprehensive Deductible	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Collision deductible	1,000	1,000	1,000	1,000	1,000	1,000	1,000
	Replace Cost	Replace Cost	Replace Cost	Replace Cost	Replace Cost	Replace Cost	Replace Cost
<b>Third Party Cyber Liability</b>							
Per Occurrence	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Annual Aggregate	unlimited	unlimited	unlimited	unlimited	unlimited	unlimited	unlimited
<b>Deductible</b>	<b>zero</b>	<b>zero</b>	<b>1000</b>	<b>2500</b>	<b>5000</b>	<b>2500</b>	<b>2500</b>
<b>Employment Practices Liability</b>							
Each Wrongful Act	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Annual Aggregate	none	none	none	none	none	none	none
Non monetary defense	50,000/250,000	50,000/250,000	50,000/250,000	50,000/250,000	50,000/250,000	50,000/250,000	50,000/250,000
Back Wages	included	included	included	included	included	included	included
Policy Form	Occurrence	Occurrence	Occurrence	Occurrence	Occurrence	Occurrence	Occurrence
<b>Property Insurance:</b>							
Property Valued	41,931,900	44,253,389	44,253,389	44,253,389	44,253,389	44,253,389	44,253,389
Rate per hundred	0.0681	0.0783	0.0783	0.0783	0.0783	0.0783	0.0783
<b>Deductible:</b>	<b>1,000</b>	<b>1,000</b>	<b>1,000</b>	<b>2,500</b>	<b>5,000</b>	<b>5,000</b>	<b>5,000</b>
Auto Physical Damage Value Comprehensive/Collision Deductible							
<b>Equipment Breakdown</b>							
Limits	43,609,176	44,253,389	44,253,389	44,253,389	44,253,389	44,253,389	44,253,389
Rate per hundred	0.0060	0.0060	0.0060	0.0060	0.0060	0.0060	0.0060
Deductible:	1,000	1,000	1,000	2,500	5,000	5,000	5,000
Transformers:							
<b>Contractors Eg/Inland Marine</b>							
Coverage Limit	579,542	610,099	610,099	610,099	610,099	610,099	610,099
Rate per hundred	0.192	0.192	0.192	0.192	0.192	0.192	0.192
Deductible	1,000	1,000	1,000	2,500	5,000	5,000	5,000
<b>Umbrella</b>							
Limit	No separate umbrella needed. \$10,000,000 limit covers GL, Public Officials and auto liability, with no aggregates.						
Aggregate Limit	No separate umbrella needed. \$10,000,000 limit covers GL, Public Officials and auto liability, with no aggregates.						
<b>Crime Coverage</b>							
Employee Theft Per Loss/ded	250,000/2,500	250,000/2,500	250,000/2,500	250,000/2,500	250,000/2,500	250,000/2,500	250,000/2,500
Forgery or Alteration	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Theft of Money and Securities	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Inside/Outside	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Robbery and Safe Burglary	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Computer Fraud	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Funds Transfer Fraud	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Money Orders and Counterfeit Money	100,000	100,000	100,000	100,000	100,000	100,000	100,000
<b>Faithful Performance of Duties/ded</b>	<b>250,000/2,500</b>	<b>250,000/2,500</b>	<b>250,000/2,500</b>	<b>250,000/2,500</b>	<b>250,000/2,500</b>	<b>250,000/2,500</b>	<b>250,000/2,500</b>
Funds Transfer/False Pretenses	25,000/2500	25,000/7500	25,000/7500	25,000/7500	25,000/7500	25,000/7500	25,000/7500
Deductible (unless stated/xxxx)	1,000	1,000	1,000	1,000	1,000	1,000	1,000
<b>Annual Premium:</b>							
	7/1/2019	7/1/2020	7/1/2020	7/1/2020	7/1/2020	7/1/2020	7/1/2020
General and Auto Liability	35,248	40,058	37,899	36,320	34,491	37,899	36,320
Auto Physical Damage	5,585	5,753	5,753	5,753	5,753	5,753	5,753
<b>LWMMI GL Subtotal</b>	<b>40,833</b>	<b>45,811</b>	<b>43,652</b>	<b>42,073</b>	<b>40,244</b>	<b>43,652</b>	<b>42,073</b>
Property & Contractors Equip	30,868	36,010	36,010	34,210	32,409	32,409	32,409
Equipment Breakdown	2,617	2,655	2,655	2,655	2,655	2,655	2,655
<b>MPIC Subtotal</b>	<b>33,485</b>	<b>38,665</b>	<b>38,665</b>	<b>36,865</b>	<b>35,064</b>	<b>35,064</b>	<b>35,064</b>
<b>Hanover Crime</b>	<b>1,080</b>	<b>1,080</b>	<b>1,080</b>	<b>1,080</b>	<b>1,080</b>	<b>1,080</b>	<b>1,080</b>
Commercial Umbrella	NA	NA	NA	NA	NA	NA	NA
<b>Hanover Subtotal</b>	<b>1,080</b>	<b>1,080</b>	<b>1,080</b>	<b>1,080</b>	<b>1,080</b>	<b>1,080</b>	<b>1,080</b>
	75,398	85,556	83,397	80,018	76,388	79,796	78,217
<b>Premium change</b>		<b>10,158</b>	<b>7,999</b>	<b>4,620</b>	<b>990</b>	<b>4,398</b>	<b>2,819</b>
		13.47%	10.61%	6.13%	1.31%	5.83%	3.74%
<b>Cyber Enterprise Risk Mgt Coverage:</b>							
\$1,000,000/\$1,000,000 (Recommendation)		1,852	1,852	1,852	1,852	1,852	1,852
\$2,000,000/\$2,000,000		2,664	2,664	2,664	2,664	2,664	2,664
<b>Total Proposed Annual Premium</b>		<b>87,408</b>	<b>85,249</b>	<b>81,870</b>	<b>78,240</b>	<b>81,648</b>	<b>80,069</b>
<b>Total Premium Increase</b>			\$9,851.00	\$6,472.00	\$2,842.00	\$6,250.00	\$4,671.00