



MEMORANDUM

Date: June 19, 2017

To: Dan Duchniak

From: Lynn Gomez

Re: 7/1/2017 Business Insurance Renewal

Attached is a spreadsheet summarizing our coverage options for the 7/1/17 – 7/1/18 policy-year. We did not solicit bids this year, due to the fact that our current property carrier, Municipal Property Insurance Company (MPIC) commissioned a property valuation appraisal on our behalf.

The results of the valuation increased our covered property value \$6,760,949; from \$35,170,951 to \$41,931,900. The increase in covered property was offset by a premium rate decrease from \$.072 per hundred to \$.067. This net result was a premium increase of \$2,533; from \$26,439 to \$28,975, for our annual property coverage.

Option 1 on the attached spreadsheet lists the annual cost for status quo coverage with the higher property valuation, a slight decrease to the General Liability coverage with LWMMI, and no increase to the equipment breakdown coverage with Chubb. *The net result is an annual premium increase of \$2,002; 2.63%.*

MPIC is now offering equipment breakdown coverage. MPIC's coverage offers a premium savings of \$5243; from Chubb's \$8262 to \$3019. MPIC's \$1,000 deductible would replace Chubb's higher deductibles that range from \$5,000/\$10,000/\$25,000, depending on the equipment covered. This scenario, replacing Chubb with MPIC, is shown in **Option 2**. *The net result is an annual premium decrease of \$3,241; 4.26%.*

Our insurance broker, Rick Kalscheuer of R&R, recommends that we increase our Crime limits as highlighted under **Option 3**. This change would increase our annual crime premium \$221; from \$859 to \$1080. As our access to customer financial data and use of internet based programs increases, this is a wise investment. *The net result is an annual premium decrease of \$3,063; 4.02%%.*

Lastly, for Workers Compensation coverage, all carriers will charge the same rate per thousand of payroll for our industry. Variables will be our experience mod rate; down from .76 to .72, and any dividend program offered. Our current carrier, Erie Insurance has proposed a higher premium dividend; from 40% to 45% of premium. Both of the brokers that I work with for insurance were unable to find a more favorable dividend than 45% flat.

I look forward to your support of the recommendation listed in Option 3 on the spreadsheet.

Recommended Motion: Approve Business Insurance Coverage for the 7/1/17 policy year with LWMMI for General Liability coverage, MPIC for Property and Equipment Breakdown coverage, Hanover for crime coverage, and Erie for workers compensation at the quoted premiums and coverage limits.

Business Insurance Options - Policy Year 7/1/2017 - 7/1/2018

		Recommendation		
	Current	Option 1	Option 2	Option 3
	7/1/16 - 7/1/17	Status Quo	MPIC Eq. Cov	Increase Crime
	7/1/17-7/1/18	7/1/17-7/1/18	7/1/17-7/1/18	7/1/17-7/1/18
<u>Liability Insurance:</u>	LWMMI	LWMMI	LWMMI	LWMMI
General Liability Limit	10,000,000	10,000,000	10,000,000	10,000,000
Premises medical payments	10,000	10,000	10,000	10,000
Public Officials Liability	10,000,000	10,000,000	10,000,000	10,000,000
Auto Liability	10,000,000	10,000,000	10,000,000	10,000,000
Auto: Comprehensive Deductible	1,000	1,000	1,000	1,000
Collision deductible	1,000	1,000	1,000	1,000
Medical Payments	10,000	10,000	10,000	10,000
Damage to premises rented to us:	250,000	250,000	250,000	250,000
<u>Property Insurance:</u>	MPIC	MPIC	MPIC	MPIC
Property Valued	35,170,951	41,931,900	41,931,900	41,931,900
Rate per hundred	0.072	0.067	0.067	0.067
Contractors Equipment	641,782	406,467	406,467	406,467
Rate per hundred	0.174	0.174	0.174	0.174
Deductible	1,000	1,000	1,000	1,000
<u>Crime Coverage</u>	Hanover	Hanover	Hanover	Hanover
Employee Theft Per Loss	100,000	100,000	100,000	250,000
Forgery or Alteration	100,000	100,000	100,000	100,000
Theft of Money and Securities	100,000	100,000	100,000	100,000
Inside/Outside	100,000	100,000	100,000	100,000
Robbery and Safe Burglary	100,000	100,000	100,000	100,000
Computer Fraud	100,000	100,000	100,000	100,000
Funds Transfer Fraud	100,000	100,000	100,000	100,000
Money Orders and Counterfeit Money	100,000	100,000	100,000	100,000
Faithful Performance of Duties	100,000	100,000	100,000	250,000
False Pretenses	None	None	None	25,000
<u>Equipment Breakdown</u>	Chubb	Chubb	MPIC	MPIC
Limits	35,000,000	35,000,000	41,931,900	41,931,900
Deductible:	\$5,000 - \$25,000	\$5,000 - \$25,000	1,000	1,000
Annual Premium:	7/1/2016	7/1/2017	7/1/2017	7/1/2017
General Liability	35,500	34,995	34,995	34,995
Property	26,439	28,975	28,975	28,975
Auto Physical Damage	5,103	5,031	5,031	5,031
Crime	859	902	902	1,080
Equipment Breakdown	8,262	8,262	3,019	3,019
	76,163	78,165	72,922	73,100
		2,002	(3,241)	(3,063)
		2.63%	-4.26%	-4.02%

Workers Compensation	Erie (A+)	Erie (A+)
Experience Modification Factor:	0.76	0.72
Estimated Payroll:	7/1/16-7/1/17	7/1/17-7/1/18
Operators	\$1,460,000	\$1,376,222
Clerical	\$754,286	\$755,000
Total Estimated Covered Payroll:	\$2,214,286	\$2,131,222
Estimated Premium	41,104	43,684
Dividend Flat:	40%	45%
Potential WC Dividend = 40%	(16,442)	(19,658)
tial Net Premium Cost w/WC Dividend	24,662	24,026