



MEMORANDUM

Date: June 18, 2018

To: Dan Duchniak

From: Lynn Gomez

Re: 7/1/2018 Business Insurance Renewal

The end of our current policy year for business insurance is approaching on July 1. Two agents solicited bids for our coverage this year. Concerns about the radium and gross alpha levels in our water, and also our loss history on the equipment breakdown coverage resulted in many carriers declining to bid. Below are the options we evaluated for the 7/1/18 – 7/1/19 policy year.

Option 1: Status quo coverage and carriers. The quoted premium for our current lines of coverage with the League of Wisconsin Municipalities Mutual Insurance program (LWMMI) decreased \$211; .029%. *The LWMMI is not an AM Best rated company; however, they are reinsured with two companies that are A and A+ rated. The LWMMI program offers zero deductible for general liability coverage and \$1,000 for all other lines of coverage. We have had this coverage for two policy years, and are pleased with the services they offer.*

*With this option, we would continue our **Workers Compensation** coverage with Erie Insurance. Since the inception of our coverage with Erie in 2011, they have offered a 40% flat dividend; though last year they increased it to 45%. This policy year they are offering a 42% premium dividend, which is still a very favorable dividend for our industry.*

Option 2: Switch coverage to EMC Insurance Companies. EMC is a national 'A Rated' company that has a strong financial background. EMC holds an 'A Rating' and offers umbrella coverage in the amount of \$16,000,000. This package would include Workers Comp coverage with EMC, and would match the 42% flat dividend. The switch to EMC that best duplicates our current coverage would *result in an annual premium increase of \$11,969; 11%.*

Options 3 and 4 on the attached spreadsheet show the EMC premiums if we increase the out of pocket deductibles.

Please note that Commissioner Couri is not comfortable with the lack of an AM Best rating of the LWMMI or the 'A' or higher rated companies that back them for reinsurance. His concern is that the LWMMI program may not have the means to meet the financial demands of a huge claim. After a careful evaluation of the coverage levels, and the financial information of both companies, we believe that the LWMMI program is a safe investment and that the significantly higher cost of the EMC premium and deductibles do not warrant a change at this time.

There are 400+ communities throughout the State of Wisconsin that have insurance through LWMMI. Therefore, we are comfortable recommending renewing our current lines with the current carriers.

In the future when our water supply meets the radium and gross alpha standards, our hope is that we will have more competitive options that Commissioner Couri is comfortable with.

Recommended Motion: Approve Business Insurance Coverage for the 7/1/18 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.

Enc.

Business Insurance Options - Policy Year 7/1/2018 - 7/1/2019

	Current 7/1/17-7/1/18	Option 1 Status Quo 7/1/18-7/1/19	Option 2 EMC 7/1/18-7/1/19	Option 3 EMC 7/1/18-7/1/19	Option 4 EMC 7/1/18-7/1/19
<u>Liability Insurance:</u>	LWMMI	LWMMI	EMC (A)	EMC (A)	EMC (A)
Each Occurrence	10,000,000	10,000,000	2,000,000	2,000,000	2,000,000
General Aggregate	Unlimited	Unlimited	4,000,000	4,000,000	4,000,000
Premises medical payments	10,000	10,000	10,000	10,000	10,000
Public Officials Liability	10,000,000	10,000,000	2,000,000	2,000,000	2,000,000
Personal and Adv limit	10,000,000	10,000,000	2,000,000	2,000,000	2,000,000
Damage to premissis rented to us:	250,000	250,000	300,000	300,000	300,000
Deductible	zero	zero	zero	zero	zero
<u>Auto Liability</u>	LWMMI	LWMMI	EMC (A)	EMC (A)	EMC (A)
Each Occurrence	10,000,000	10,000,000	2,000,000	2,000,000	2,000,000
Medical Payments	10,000	10,000	10,000	10,000	10,000
Comprehensive Deductible	1,000	1,000	1,000	1,000	1,000
Collision deductible	1,000	1,000	1,000	1,000	1,000
	Replace Cost	Replace Cost	Replace Cost	Replace Cost	Replace Cost
<u>Cyber Liability</u>			EMC (A)	EMC (A)	EMC (A)
Per Occurrence	10,000,000	10,000,000			
Annual Aggregate	unlimited	unlimited	50,000	50,000	50,000
Deductible	zero	zero	1,000	2,500	2,500
<u>Employment Practices Liability</u>	MPIC	MPIC	EMC (A)	EMC (A)	EMC (A)
Each Wrongful Act	10,000,000	10,000,000	2,000,000	2,000,000	2,000,000
Annual Aggregate	none	none	2,000,000	2,000,000	2,000,000
Non monetary defense	50,000/250,000	50,000/250,000	up to policy limits	up to policy limits	up to policy limits
Back Wages	included	included	included	included	included
Policy Form	Occurrence	Occurrence	Claims Made	Claims Made	Claims Made
<u>Property Insurance:</u>	MPIC	MPIC	EMC (A)	EMC (A)	EMC (A)
Property Valued	41,931,900	41,931,900	41,931,900	41,931,900	41,931,900
Rate per hundred	0.067	0.067	0.060	0.060	0.060
Deductible:	1,000	1,000	1,000	2,500	5,000
<u>Equipment Breakdown</u>	MPIC	MPIC	EMC (A)	EMC (A)	EMC (A)
Limits	41,931,900	41,931,900	41,931,900	41,931,900	41,931,900
Deductible:	1,000	1,000	1,000	2,500	5,000
<u>Crime Coverage</u>	Hanover	Hanover	EMC (A)	EMC (A)	EMC (A)
Employee Theft Per Loss/ded	250,000/2,500	250,000/2,500	250,000	250,000	250,000
Forgery or Alteration	100,000	100,000	250,000	250,000	250,000
Theft of Money and Securities	100,000	100,000	250,000	250,000	250,000
Inside/Outside	100,000	100,000	250,000	250,000	250,000
Robbery and Safe Burglary	100,000	100,000	250,000	250,000	250,000
Computer Fraud	100,000	100,000	250,000	250,000	250,000
Funds Transfer Fraud	100,000	100,000	250,000	250,000	250,000
Money Orders and Counterfeit Money	100,000	100,000	250,000	250,000	250,000
Faithful Performance of Duties/ded	250,000/2,500	250,000/2,500	250,000	250,000	250,000
Funds Transfer/False Pretenses	25,000	25,000	None	None	None
Deductible	1,000	1,000	2,500	2,500	2,500
<u>Contractors Eq/Inland Marine</u>	MPIC	MPIC	EMC (A)	EMC (A)	EMC (A)
Deductible	1,000	1,000	1,000	1,000	1,000
Coverage Limit	506,467	579,542	698,327	698,327	698,327
Rate per hundred	0.174	0.192	0.200	0.200	0.200
Deductible	1,000	1,000	1,000	1,000	1,000
	Replacement Cost	Replacement Cost	Replacement Cost	Replacement Cost	Replacement Cost
<u>Umbrella</u>			EMC (A)	EMC (A)	EMC (A)
Limit			8,000,000	8,000,000	8,000,000
Aggregate Limit	No separate umbrella needed. \$10,000,000 limit covers GL, Public Officials and auto liability, ith no aggregates.		16,000,000	16,000,000	16,000,000
Does Umbrella Ride over General Liabil			Yes	Yes	Yes
Does Umbrella Ride over Public Official			Yes	Yes	Yes
Does Umbrella Ride over Auto Liability			Yes	Yes	Yes
Annual Premium:	7/1/2017	7/1/2018	7/1/2018	7/1/2018	7/1/2018
General Liability	34,995	34,995	9,662	9,662	9,662
Property	28,094	28,093	35,050	30,050	25,050
Contractors Equipment	881	1,113	1,897	1,897	1,897
Auto Physical Damage	5,031	5,134	22,597	22,597	22,597
Crime	1,080	1,080	1,615	1,615	1,615
Equipment Breakdown	3,019	2,474	Incl in prop	Incl in prop	Incl in prop
Cyber Solutions			590	590	590
Commercial Umbrella	NA	NA	9,578	9,578	9,578
EPLI/Public Officials			4,080	4,080	4,080
Workers Comp	35,724	35,724	35,724	35,724	35,724
	108,824	108,613	120,793	115,793	110,793
Premium change		(211)	11,969	6,969	1,969
		-0.19%	11.00%	6.40%	1.81%
Workers Compensation	Erie (A+)	Erie (A+)	EMC (A)	EMC (A)	EMC (A)
Experience Modification Factor:	0.72	0.73	0.73	0.73	0.73
Estimated Payroll:	7/1/17-7/1/18	7/1/19-7/1/19	7/1/17-7/1/18	7/1/17-7/1/18	7/1/17-7/1/18
Operators	\$1,376,222	\$1,376,222	\$1,376,222	\$1,376,222	\$1,376,222
Clerical	\$755,000	\$755,000	\$755,000	\$755,000	\$755,000
Total Estimated Covered Payroll:	\$2,131,222	\$2,131,222	\$2,131,222	\$2,131,222	\$2,131,222
Estimated Premium	43,684	43,684	43,684	43,684	43,684
Dividend Flat:	45%	42%	42%	42%	42%
Potential WC Dividend	(19,658)	(18,347)	(18,347)	(18,347)	(18,347)
tial Net Premium Cost w/WC Dividend	24,026	25,337	25,337	25,337	25,337