



Palmer City Council Meeting

Meeting Date: 07/09/2024
Submitted For: Kimberly Green, HR Director
Department: City Manager's Office
Legislation Number: AM 24-037

Approved

Subject

Action Memorandum No. 24-037: Authorizing the City Manager to Purchase Insurance Coverage for the Period of July 1, 2024, through June 30, 2025

Summary Statement/Background

The City's Insurance Broker, Combs Insurance, presented the attached proposal to the administration for the renewal of the City's insurance policies for the year beginning July 1, 2024.

The insurance coverage includes property (including earthquake and fire); crime; general liability, police professional liability; auto liability and physical damage; worker's compensation expenses and cybersecurity. As with previous years, the City entered into a three-year agreement with Alaska Public Entity Insurance which provides for a 5% discount for each year of coverage. The City has had insurance coverage with excellent service through APEI since 2008.

This year's policy represents an overall increase of 15.2% as a result of higher loss experience by APEI as well as changes in property valuation. As seen in the proposal provided by Combs, attempts were made to market the city's coverage to other carriers and even with the large increase, APEI provided the best coverage and rates.

Administration's Recommendation:

Approve Action Memorandum No. 24-037

Fiscal Impact

Total Amount of funds listed in this legislation: \$894,963.00
Legislation creates expenditure in the amount of: \$894,963.00
Budgeted Y/N?: Y
Line Item(s): Various Insurance G/L Accounts

Attachments

Proposal

June 11, 2024

John Moosey, City Manager
City of Palmer
231 W Evergreen Ave
Palmer, AK 99645

Re: Insurance Program Renewal
Term: July 1, 2024 to July 1, 2025

Dear John:

City of Palmer's insurance program is scheduled for renewal in the term July 1, 2024 to July 1, 2025. Please review the below summary of renewal coverages and exposures, and advise of any necessary changes for the upcoming policy year.

Alaska Public Entity Insurance (APEI) providing the main insurance program includes a 5% discount for your 3-year agreement. The Longevity Credit has historically been an itemized reduction in premium, on the renewal it has been applied to coverage rates. Both credits are included in the quoted premium.

Also, APEI is no longer able to support including commission on fee-based accounts. In prior years, commission was entered to show the clear removal of this amount as confirmation that no additional revenue was generated. Going forward, effective renewal 7/1/2024, quotes from APEI are on a net basis, i.e. no commission, for fee-based accounts.

After review, please provide your authorization to bind per below by **June 17th**.

Sincerely,

Kylie Bailey

Kylie J. Bailey, ARM & ARM-P
Vice President, Account Executive
Combs Insurance Agency, Inc.
Direct: 907-982-2513
Main Office: 907-745-2144
Email: kylie@combsinsurance.com

PROPERTY COVERAGE:

Property coverage includes mobile equipment, fine arts, equipment breakdown, earthquake and flood. Coverage is placed through Alaska Public Entity Insurance’s pool program with a blanket Property limit of \$200,000,000 and earthquake and flood with a sub-limit of \$75,000,000. APEI’s retention is \$500,000. City of Palmer’s 2024/25 renewal **net** premium is \$359,336.36. Renewal premium provides a 5% credit for the three-year program and a Longevity Credit.

Program Summary:

Insurance Company:	Alaska Public Entity Insurance
Per Occurrence Limit:	\$ 200,000,000
Fine Arts Sub-Limit:	\$ 5,000,000
Mobile Equipment Sub-Limit:	\$ 10,000,000
Earthquake & Flood Sub-Limit:	\$ 75,000,000
Member Building/Structure Deductible:	\$ 10,000
Member Contents Deductible:	\$ 5,000
Member Mobile Deductible:	\$ Varies

Exposures – Total Insured Values (TIV):

Description	7/1/2023 to 7/1/2024	7/1/2024 to 7/1/2025	Change (%)
Building & Contents TIV	\$152,138,805	\$168,042,577	10.5%
Fine Arts TIV	\$0	\$0	0.0%
Mobile Equipment TIV	\$3,401,222	\$3,742,591	10.0%
Total TIV	\$155,540,027	\$171,785,168	10.4%

Premium Summary:

Description	7/1/2023 to 7/1/2024	7/1/2024 to 7/1/2025	Change (%)
Net Premium	\$320,536.56	\$359,336.36	12.1%
Rate - per \$100 of TIV	0.2061	0.2092	1.5%

LIABILITY COVERAGE:

Liability coverage includes General Liability, Public Officials Errors & Omissions, Law Enforcement Liability, Employee Benefit Liability, Sexual Abuse & Molestation and Employment Practices Liability. Coverage is placed through Alaska Public Entity Insurance's pool program with a Liability limit of \$15,500,000. APEI's retention is \$500,000. City of Palmer's 2024/25 renewal **net** premium is \$238,948.32. Renewal premium provides a 5% credit for the three-year program and a Longevity Credit.

Program Summary:

Insurance Company: Alaska Public Entity Insurance
Per Occurrence Limit: \$ 15,500,000
Public Officials Errors & Omissions Aggregate: \$ 15,000,000
Law Enforcement Liability Aggregate: \$ 15,000,000
Employee Benefit Liability Aggregate: \$ 15,000,000
Employment Practices Liability Aggregate: \$ 15,000,000
Member Liability Deductible: \$ 0
Member Law Enforcement & EPL Deductible: \$ 10,000

Exposures – Payroll:

Description	7/1/2023 to 7/1/2024	7/1/2024 to 7/1/2025	Change (%)
Total Payroll	\$5,704,177	\$6,648,610	16.6%

Premium Summary:

Description	7/1/2023 to 7/1/2024	7/1/2024 to 7/1/2025	Change (%)
Net Premium	\$206,442.71	\$238,948.32	15.7%
<i>Rate - per \$1,000 of Payroll</i>	36.1915	35.9396	-0.7%

AUTOMOBILE COVERAGE:

Automobile coverage includes auto liability and physical damage. Coverage is placed through Alaska Public Entity Insurance’s pool program with a Liability limit of \$15,500,000. APEI’s retention is \$500,000. City of Palmer’s 2024/25 renewal **net** premium is \$83,596.50. Renewal premium provides a 5% credit for the three-year program and a Longevity Credit.

Program Summary:

Insurance Company:	Alaska Public Entity Insurance
Per Occurrence Limit:	\$ 15,500,000
Physical Damage Limit:	Per Vehicle
Member Liability Deductible:	\$ 0
Member Physical Damage Deductible:	Varies

Exposures – Vehicles:

Description	7/1/2023 to 7/1/2024	7/1/2024 to 7/1/2025	Change (%)
Total Vehicles	87	84	-3.4%

Premium Summary:

Description	7/1/2023 to 7/1/2024	7/1/2024 to 7/1/2025	Change (%)
Net Premium	\$81,094.44	\$83,596.50	3.1%
<i>Rate - per vehicle</i>	<i>932.1199</i>	<i>995.1964</i>	6.8%

WORKERS COMPENSATION COVERAGE:

Workers Compensation coverage provides no-fault statutory benefits and employer's liability. Coverage is placed through Alaska Public Entity Insurance's pool program with Workers' Compensation Statutory limits for Alaska and Employer's Liability limit of \$3,000,000. APEI's retention is \$1,000,000. City of Palmer's 2024/25 renewal **net** premium is \$156,629.30. Renewal premium provides a 5% credit for the three-year program and a Longevity Credit.

APEI is implementing a deductible for injury to employees resulting from an aircraft that is owned or leased, or if piloted by an employee. This deductible does not apply if the aircraft is not owned or leased, or not piloted by an employee. This deductible also does not apply if owned or leased aircrafts, or employee pilots are scheduled on the policy. The deductible is 50/50 share with APEI up to a maximum member deductible of \$125,000.

Program Summary:

Insurance Company:	Alaska Public Entity Insurance
Workers Compensation Limit:	Statutory
Employer's Liability Limit:	\$ 3,000,000
Member Deductible:	\$ 0
Member Deductible – Unscheduled Owned/Leased Aircraft or Employee Piloted	\$ 125,000 maximum, 50/50 share of costs up to maximum

Exposures – Payroll:

Description	7/1/2023 to 7/1/2024	7/1/2024 to 7/1/2025	Change (%)
Total Payroll	\$5,704,177	\$6,648,610	16.6%

Premium Summary:

Description	7/1/2023 to 7/1/2024	7/1/2024 to 7/1/2025	Change (%)
Net Premium	\$115,740.77	\$156,629.30	35.3%
Rate - per \$100 of Payroll	2.0291	2.3558	16.1%

CRIME COVERAGE:

Crime coverage includes employee theft, forgery/alteration, loss inside/outside of premises, computer fraud, funds transfer fraud, and money orders and counterfeit money. Coverage is placed through Alaska Public Entity Insurance’s pool program with a limit of \$1,000,000. APEI’s retention is \$22,500. City of Palmer’s 2024/25 renewal **net** premium is \$898.70. Renewal premium provides a 5% credit for the three-year program and a Longevity Credit.

Program Summary:

Insurance Company: Alaska Public Entity Insurance
Primary Limit: \$ 1,000,000
Excess Limit: \$ 3,000,000
Member Liability Deductible: \$ 2,500

Premium Summary:

Description	7/1/2023 to 7/1/2024	7/1/2024 to 7/1/2025	Change (%)
Net Premium-Primary	\$732.34	\$898.70	22.7%

AIRPORT OPERATORS' COVERAGE:

Airport Operators' Legal Liability coverage insures the liability exposures associated with the operation of the airport including premises liability, hangarkeeper liability and non-owned aircraft liability. Coverage is placed with ACE Property and Casualty Insurance Company through Alaska Public Entity Insurance with limits of \$10,000,000. Expiring coverage was a 3-year policy term from 7/1/2021 to 7/1/2024 that was paid on annual installments. Renewal coverage options are provided on a 1-year term or 3-year policy term paid on annual installments.

Program Summary:

Insurance Company: Ace Property and Casualty Insurance Company
Airport Operator's Liability Aggregate Limit: \$ 10,000,000
Hangarkeepers Per Occurrence Limit: \$ 10,000,000
Member Deductible: \$ 0

Exposures – Airline Departures:

Description	7/1/2023 to 7/1/2024	7/1/2024 to 7/1/2025	Change (%)
# of Airline Departures	45,000	50,000	11.1%

Premium Summary:

Option 1 – One-Year Term:

Description	7/1/2023 to 7/1/2024	7/1/2024 to 7/1/2025	Change (%)
Annual Net Premium	\$10,992.00	\$12,092.00	10.0%
Rate	0.2443	0.2418	-1.0%

Option 2 – Three-Year Term with Annual Installments:

Description	7/1/2023 to 7/1/2024	7/1/2024 to 7/1/2027	Change (%)
Annual Net Premium	\$32,976.00	\$40,020.00	21.4%
Rate	0.2443	0.2668	9.2%

Installment Schedule: Year 1 - \$12,092; Year 2 - \$13,964; Year 3 - \$13,964

CYBER LIABILITY COVERAGE:

Cyber Liability coverage includes privacy and network security, payment card loss, regulatory fines, media liability, network extortion and cyber crime. Coverage is placed with Westchester Surplus Lines Insurance Company (non-admitted) through Alaska Public Entity Insurance’s pool program with a Liability limit of \$2,000,000 per member and \$5,000,000 pool aggregate. Coverage is provided on a claims-made basis with a retroactive date of 1/1/2014. City of Palmer’s 2024/25 renewal **net** premium is \$11,562.00.

Program Summary:

Insurance Company:	Westchester Surplus Lines Insurance Company
Member Aggregate:	\$ 2,000,000
Member Cyber Crime Aggregate Sublimit:	\$ 250,000
Pool Aggregate	\$ 5,000,000
Member Deductible:	\$ 50,000

Exposures – Operating Budget:

Description	7/1/2023 to 7/1/2024	7/1/2024 to 7/1/2025	Change (%)
Operating Budget	\$30,750,000	Not obtained by APEI	N/A

Premium Summary:

Description	7/1/2023 to 7/1/2024	7/1/2024 to 7/1/2025	Change (%)
Net Premium	\$10,269.71	\$11,562.00	12.6%
Rate - per \$1,000 of Budget	0.3340	0.3760	12.6%

NOTE: Coverage is written on a claims-made policy form which applies to ‘claims’ first made and reported during the policy period or any extended reporting period, if applicable. In the event this policy is cancelled or non-renewed any claims or incidences that gives rise to a claim must be reported within the extended reporting period for coverage to be triggered.

Marketing Effort:

- AmTrust Cyber – declined due to exposure information.
- BCS Insurance – declined due to Multi-Factor Authentication (MFA) requirements.
- CFC/Lloyds – declined due to exposure information.
- Hiscox Insurance – declined due to Multi-Factor Authentication (MFA) requirements.

Renewal Instructions:

In order to renew coverage, please provide the following:

1. Auto Uninsured / Underinsured – review and sign. We have pre-selected coverage based on expiring.
2. Airport Operators' Terrorism Election Form – election of coverage for Terrorism coverage. There is an additional premium charge included in the above premium with the below options. Terrorism coverage recommended to be included.
 - Option 1 – \$1,075
 - Option 2 - \$3,558
3. Cyber Liability, Surplus Lines Notice – coverage is provided on a non-admitted basis. Please review the attached Surplus Lines Notice. In accordance with Department of Insurance requirements, this notice will be provided twice.
4. Authorization to Bind – please provide your authorization to bind per below.

Authorization to Bind Coverage:

Named Insured: City of Palmer
Coverage: Property/Mobile Equipment; Liability; Automobile; Workers Compensation; Crime; Airport Operators Liability; and Cyber Liability
Term: 07/01/2024 to 07/01/2025

Renewal Coverage	Net Premium	Authorization <i>(indicate with 'X' or initials)</i>
Property & Mobile Equipment	\$359,336.36	
Liability	\$238,948.32	
Automobile	\$83,596.50	
Worker's Compensation	\$156,629.30	
Crime	\$898.70	
Airport Operators Liability – One Year	\$12,092.00	See below
Cyber Liability	\$11,562.00	
Property & Casualty Broker Fee	\$31,900.00	Provided
TOTAL PREMIUM	\$894,963.18	

Coverage Option	Net Premium	Authorization <i>(indicate with 'X' or initials)</i>
Airport Operators Liability:		
Option 1 – One-Year Term	\$12,092.00	
Option 2 – Three-Year Term with Annual Installments <i>(recommended)</i>	\$40,020.00	

Accepted: _____
 Signed

Date: _____

 Printed
City of Palmer

Premium Comparison:

Policy Term: 2023/2024

Coverage	Gross Premium	Net Premium
Property & Mobile Equipment	\$362,188.20	\$320,536.56
Liability	\$233,268.60	\$206,442.71
Automobile	\$91,632.13	\$81,094.44
Worker's Compensation	\$130,780.53	\$115,740.77
Crime	\$827.50	\$732.34
Airport Operators	\$10,992.00	\$10,992.00
Cyber Liability	\$11,604.19	\$10,269.71
Broker Fee	-	\$30,900.00
TOTAL PREMIUM	\$841,293.15	\$776,708.53

The above does not include year-end Liability and Workers Compensation audits.

Policy Term: 2022/2023

Renewal Coverage	Gross Premium	Net Premium
Property & Mobile Equipment	\$170,306.08	\$150,720.88
Liability	\$202,317.49	\$179,050.98
Automobile	\$92,719.82	\$82,057.04
Worker's Compensation	\$111,907.13	\$98,237.95
Crime-Primary	\$712.53	\$630.59
Crime-Excess	\$3,615.82	\$3,200.00
Airport Operators	\$10,992.00	\$10,992.00
Cyber Liability	\$9,256.36	\$8,191.88
Broker Fee	-	\$30,000.00
TOTAL PREMIUM	\$601,827.23	\$563,081.32

The above includes year-end Liability and Workers Compensation audits.

Policy Term: 2021/2022

Coverage	Net Premium
Property & Mobile Equipment	\$149,110.57
Liability	\$156,691.42
Automobile	\$82,677.80
Worker's Compensation	\$96,881.18
Crime	\$5,575.00
Airport Operators	\$10,992.00
Cyber Liability	\$5,197.60
Broker Fee	\$20,000.00
TOTAL PREMIUM	\$527,125.57

The above includes year-end Liability and Workers Compensation audits.

Thank you for working with us throughout the renewal process. If there are any questions regarding the renewal options or feel we can be of any further assistance, please let us know. We look forward to renewing coverage for City of Palmer.

Sincerely,

Kylie Bailey

Kylie J. Bailey, ARM & ARM-P
Vice President, Account Executive
Combs Insurance Agency, Inc.