



HYLANT

INSURANCE PROPOSAL

City of Ann Arbor

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Executive Summary

January 24, 2023

Hylant is pleased to present the 2023 Property and Casualty (P/C) insurance renewal results for the City of Ann Arbor. This renewal proposal includes the following coverages:

- Property
- Public Entity Liability and Excess
- Liquor Liability
- Crime
- Fiduciary Liability
- Cyber Liability
- Aviation Liability
- Travel Accident
- Liability and Property for the S. Forest Parking Structure (required to be insured separately due to a joint ownership agreement with the University of Michigan)

As discussed at our renewal strategy meeting on October 21st, rates continue to increase for most lines of coverage, but there has been moderation with the pace of rate increases slowing. Insurers continue to focus on increasing retentions and pulling back on coverage limits. Rate increases for municipalities have been primarily focused on the police professional, sexual misconduct, and public officials' liability. Overall, carriers are looking for rate increases averaging 10%, however this is not the case for those insureds where carriers are continuing to reduce capacity. These increases could approach 100% when a single layer must now be replaced by multiple carriers.

The results of this insurance program renewal for the City of Ann Arbor are not complete. Your incumbent liability carrier, APR/Vantapro, has reduced their capacity to \$5m and can no longer offer police professional coverage. We are waiting on all carrier options to replace Vantapro.

Given the challenges in the current insurance marketplace, the proposed insurers reserve the right to change the terms of proposed coverage until coverage is formally bound. Prior to binding, significant claim activity specific to the City of Ann Arbor or loss/risk development among municipalities in general could result in the insurers modification of cost/coverage.

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Outlined below is a high-level summary of the 2023 renewal terms:

Public Entity Liability and Excess

Per our pre-renewal discussions, we advised that your current lead carrier, APR/Vantapro, would be required to reduce their capacity on the lead layer from \$10m to \$5m, and they can no longer offer police professional coverage. \$5m capacity is now the standard limit provided by most carriers in the public entity liability sector. Your Self-Insured Retention (SIR) was increased from \$500k to \$1m each occurrence in 2021 and we do not anticipate any further changes to be required by the carriers this year. Based upon the continued restricted marketplace, and reduction in carrier capacity, we do anticipate a significant premium increase for the \$10m lead layer. We therefore marketed the insurance program to 13+ carriers to ensure the City has vetted all options available in this challenging marketplace. We have received formal quotes from 3 carriers, and anticipating 2 additional carrier quotes. Each has offered options for requested coverage parts, however there are limitations to each quotation, which are highlighted in our quote summary.

Regarding the \$15m x \$5m layer, these quotes will be provided once we have reviewed all options for the lead \$5m layer. Once the lead layer is selected, this will be provided to the excess marketplace for their quotes.

Property

The City's property insurance was moved in 2022 from Zurich to Chubb, due to Zurich proposing a significant reduction of coverage for wind and tornado losses, along with an increase in the deductible to \$100,000 effective 3/1/2022. Hylant conducted a marketing effort and obtained quotes from Zurich, Chubb, and Alliant. Chubb provided the best option, maintaining coverage on the dams and not applying a sublimit to wind and tornado claims. Chubb did increase the per occurrence deductible to \$100,000.

For the 2023 renewal, Chubb initially provided a quote indication with 10% rate increase. We were able to negotiate the rate increase down to 7%, based on the increase in building values that the City provided. This is within the market increases for property that are projected in the range of 5%-15% for 2023. Coverage terms remain the same as the expiring policy.

Crime

The renewal pricing with AIG is up by 2% this year. We approached several other markets that were either not able to compete with pricing & coverage or no longer have an appetite for municipalities.

Fiduciary Liability

Chubb provided flat renewal pricing due to the two-year renewal premium guarantee offered in 2022.

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Aviation / Airport Liability

Coverage for the Airport Liability was placed with Chubb in 2020, on a 3-year policy term with annual installments until 3/1/2023. Chubb is offering another 3-year policy term with a 15% premium increase. As the aviation markets have been obtaining annual rate increases of 15%-25% over the past few years, this is a very favorable outcome.

Liquor Liability

The renewal pricing with Star is flat, despite an increase in the rating basis (revenue) of nearly 31%.

General Liability/Excess Liability and Property - 650 S. Forest

Great American property renewal pricing is increased by 21%. This includes an overall 11.65% increase in insurance values and an 8.74% rate increase.

The General Liability premium is down 8% due to a reduction in the annual revenue of nearly 9%. The Excess Liability layer with Colony of \$5M excess of \$1M is down 2.77% and the Excess Liability layer with Starstone of \$5M excess of \$6M remains flat.

Network Security & Privacy (Cyber Liability)

With significant changes in the Cyber market the past 2 years in both pricing and coverage restrictions, an extensive marketing effort was conducted in 2022, with 13 carriers approached. The City's Cyber coverage was placed through Cowbell for the best available pricing and coverage terms. Cowbell's renewal pricing for 2023 increased 5.21%, but they have reduced coverage for extortion/ransomware attacks from \$2,000,000 to \$250,000 due to the City not having Multi-Factor Authentication (MFA) in place. Cowbell can remove the sublimit once MFA is in place.

We have marketed the account again this year to multiple carriers. We have not yet received quotes or decisions from all markets. We received a very competitive quote option from Travelers (\$43,110) but is subject to the City having 100% Multi-Factor Authentication in place for all access to the City's network and email prior to 3/1/2023.

We will continue to follow up with carriers to be certain we have the best available pricing and coverage terms for the City of Ann Arbor.

Travel Accident Insurance

Pricing is flat and was not marketed.

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Executive Summary

(continued)

Thank you for the opportunity to provide these quotations on your behalf. We look forward to continuing to provide insurance and risk management service, needs and advice.

Sincerely,

Kim Cassey
Rob Nugent
Lisa Johnson
JPaul Dixon

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Premium Summary

	Renewal Date	EXPIRING 2022 / 2023	RENEWAL 2022 / 2023	Increase (Decrease)	AM Best Rating
Public Entity Liability - Primary x SIR	1-Mar	Vantapro	Old Republic		A
Limit		\$ 1,000,000	\$ 5,000,000		
Self-Insured Retention		\$ 1,000,000	\$ 1,000,000		
<u>Exposure data</u>					
Fleet Power Unit Count		311	292	-6.11%	
WC Payroll		\$ 65,159,131	\$ 67,808,311	4.07%	
General Fund Budget		\$ 118,160,321	\$ 123,373,369	4.41%	
Operation Budget		\$ 470,481,169	\$ 526,176,791	11.84%	
Premium		\$ 191,978	\$ 444,636	131.61%	
Excess Liability - \$9M x \$1M x SIR	1-Mar	AWAC	Genesis		A
Limit		\$ 9,000,000	\$ 5,000,000		
Premium		\$ 207,010	\$ 350,000	69.07%	
Excess Liability - \$5M x \$10M x SIR	1-Mar	HDI ¹	HDI ^{1,4}		A+
Limit		\$ 5,000,000	\$ 5,000,000		
Premium		\$ 116,555	\$ 150,000	28.69%	
Excess Liability	1-Mar	Axis ¹	Axis ^{1,4}		A
Limit		\$ 5,000,000	\$ 5,000,000		
Premium		\$ 107,625	\$ 100,000	-7.08%	
TOTAL PUBLIC ENTITY LIABILITY PREMIUM		\$ 623,168	\$ 1,044,636	67.63%	
Property	1-Mar	Chubb	Chubb		A++
TIV - including scheduled dams		\$ 674,793,104	\$ 779,170,081	15.47%	
Policy limit		\$ 400,000,000	\$ 400,000,000	0.00%	
Deductible		\$ 100,000	\$ 100,000		
Deductible - dams		\$ 250,000	\$ 250,000		
Rate (per '00)		0.074	0.079	7.10%	
Premium		\$ 498,500	\$ 616,495	23.67%	
Liquor Liability - Leslie Park Golf Course	1-Mar	Star	Star		A-
Limit		\$ 1,000,000	\$ 1,000,000		
Annual receipts		\$ 73,300	\$ 95,895	30.83%	
Premium		\$ 1,603	\$ 1,603	0.00%	
Crime	1-Mar	AIG	AIG		A
Limit		\$ 5,000,000	\$ 5,000,000		
Deductible		\$ 50,000	\$ 50,000		
Premium		\$ 11,191	\$ 11,417	2.02%	

Notes:

1. State surplus lines taxes of 2.5% apply and are included in premiums for Munich Re, Excess Liability with HDI and Axis, Cyber Liability with Cowbell, General and Excess Liability for parking structure with Colony and Starstone
2. Commission included in Fiduciary Liability (\$5,460) and Cyber Liability (\$14,281). These policies are covered by the Agency Fee the City pays to Hylant, the commission will be refunded.
3. Cowbell will restore the ransomware limit to \$2,000,000 if the City achieves 100% Multi-Factor Authentication for all access to the City's network and email.
4. Renewal 2022/2023 includes estimated premiums for Excess Liability with HDI and Axis as Hylant has not received their quotes as of 1/25/2023

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Premium Summary

(continued)

	Renewal Date	EXPIRING 2022 / 2023	RENEWAL 2022 / 2023	Increase (Decrease)	AM Best Rating
Fiduciary Liability	1-Mar	Chubb ²	Chubb ²		A++
Limit		\$ 10,000,000	\$ 10,000,000		
Deductible		\$ 50,000	\$ 50,000		
Rating Basis - plan assets		\$ 870,595,082	\$ 797,532,721	-8.39%	
Premium		\$ 36,399	\$ 36,362	-0.10%	
Cyber Liability	1-Mar	Cowbell (Palomar Excess and Surplus Ins.Co.) ^{1,2}	Cowbell (Palomar Excess and Surplus Ins.Co.) ^{1,2,3}		A-
Limit		\$ 2,000,000	\$ 2,000,000		
Deductible		\$ 150,000	\$ 150,000		
Ransomware		\$ 2,000,000	\$ 250,000		
Premium		\$ 94,444	\$ 99,363	5.21%	
Aviation	1-Mar	Chubb	Chubb		A++
Limit		\$ 25,000,000	\$ 25,000,000		
Premium		\$ 13,541	\$ 15,573	15.01%	
Travel Accident	1-Mar	Chubb	Chubb		A++
Limit		\$ 100,000	\$ 100,000		
Premium		\$ 1,750	\$ 1,750	0.00%	
Property - Parking Structure 650 S. Forest	1-Mar	Great American	Great American		A+
Building limit		\$ 21,842,854	\$ 24,679,897	12.99%	
Business Income limit		\$ 1,424,183	\$ 1,297,700	-8.88%	
Total Property Values		\$ 23,267,037	\$ 25,977,597	11.65%	
Deductible		\$ 5,000	\$ 5,000		
Rate (per '00)		\$ 0.088	\$ 0.096	8.74%	
Premium		\$ 20,546	\$ 24,945	21.41%	
General Liability - Parking Structure 650 S. Forest	1-Mar	Colony ¹	Colony ¹		A
Limit		\$ 1,000,000	\$ 1,000,000		
Revenue		\$ 1,424,183	\$ 1,297,700	-8.88%	
Premium		\$ 10,380	\$ 9,548	-8.02%	
Excess Liability - Parking Structure - \$5M x \$1M	1-Mar	Colony ¹	Colony ¹		A
Limit		\$ 5,000,000	\$ 5,000,000		
Premium		\$ 7,120	\$ 6,923	-2.77%	
Excess Liability - Parking Structure - \$5M x \$6M		Starstone ¹	Starstone ¹		A
Limit		\$ 5,000,000	\$ 5,000,000		
Premium		\$ 5,280	\$ 5,280	0.00%	
Total March Policies ⁴		\$ 1,323,922	\$ 1,873,895	41.54%	

Notes:

- State surplus lines taxes of 2.5% apply and are included in premiums for Munich Re, Excess Liability with HDI and Axis, Cyber Liability with Cowbell, General and Excess Liability for parking structure with Colony and Starstone
- Commission included in Fiduciary Liability (\$5,460) and Cyber Liability (\$14,281). These policies are covered by the Agency Fee the City pays to Hylant, the commission will be refunded.
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Marketing Overview

The following insurance companies have an appetite for Public Entity business and were approached for the 2023 P/C Insurance Renewal.

Casualty (Public Entity Liability and Excess) -

- Primary Public Entity Liability:
 - Allied Public Risk / Vantapro– waiting on renewal quote
 - Munich – Quote received \$5m x \$1m SIR with coverage restrictions
 - Genesis – Declined Lead layer as they prefer to offer excess of \$5m layer
 - Argonaut – decline - no longer writing Public Entity SIR accounts
 - Safety National – quote received but must write the Excess WC to quote liability coverages, subject to approval of TPA
 - Intact – decline – no longer writing police professional
 - Chubb – declined
 - Travelers – declined – will not approve TPA
 - AIG – declined
 - Berkley – Waiting on quote
 - Old Republic – quote received \$5m x \$1m SIR
 - Euclid – reviewing submission
 - Liberty – reviewing submission
- Excess Liability:
 - HDI Specialty – reviewing submission
 - Axis – reviewing submission
 - Genesis – indication: \$5m x 5m x 1m SIR = \$350,000
 - Munich – reviewing submission; only has \$5m capacity
 - Berkley – reviewing submission
 - Markel – reviewing submission
 - Hallmark– reviewing submission
 - Chubb – reviewing submission
 - Navigators / Hartford – reviewing submission
 - AIG – reviewing submission
 - Arch – reviewing submission

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Marketing Overview

(continued)

Property

- Chubb - quoted

Liquor Liability

- Star Insurance Company – quoted

Crime

- AIG – quoted
- Berkley – declined, no longer writing municipalities
- Chubb – declined, not able to compete with pricing or coverage terms
- Tokio Marine HCC – declined, no longer writing municipalities

Fiduciary

- Chubb – quoted

Aviation

- Chubb – quoted

General Liability, Excess Liability and Property – Parking Structure

- Colony – quoted
- Starstone – quoted
- Great American – quoted

Cyber Liability

- Cowbell – quoted
- Beazley – declined, class of business
- CFC – declined, size
- Coalition – awaiting response
- Corvus- awaiting response
- HSB – declined, class of business
- Travelers – quoted, subject to 100% MFA
- Chubb – awaiting response

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