



# HYLANT

## INSURANCE PROPOSAL

### **City of Ann Arbor – Property & Casualty Insurance Program Renewal Summary**

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# Executive Summary

January 28, 2021

Hylant is pleased to present the 2021 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
- Travel Accident
- General 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 13th, the insurance market has rapidly changed during 2019 and 2020 with increased rates for most lines of coverage and insurers increasing retentions and pulling back on coverage limits. Rate increases for municipalities have been significantly impacted. Municipal property and liability insurance rate increases have exceeded 35%.

The results of this insurance program renewal for the City of Ann Arbor, with the incumbent carriers, is up 3%. We are recommending renewing all lines with the incumbent carriers, with the exception of moving cyber liability coverage from AIG to Travelers. 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. That said, Hylant is recommending binding coverage as proposed below with the City of Ann Arbor's authorization to do so.

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# Executive Summary

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**Outlined below is a high-level summary of the 2021 renewal terms:**

## **Property**

Hylant conducted an extensive marketing effort in 2020 to obtain the best renewal for the City of Ann Arbor. There were 15 insurance companies evaluated as part of the process. Multiple insurers declined due to the dams and water plant exposures, others could not be competitive, requiring higher premium and deductibles. We received quotes from the incumbent carrier, AIG, and Zurich. AIG's 2020 renewal offering had reduced the policy loss limit from \$500M to \$350M, excluded the Barton and Superior dams, with a significant increase in premium. Zurich provided a more competitive quotation inclusive of the dams and maintained the policy loss limit at \$500M. Coverage was placed with Zurich in 2020.

For the 2021 renewal, Zurich is reducing the City's loss limit from \$500m to \$400m. After careful analysis of the City's owned properties and geographic spread of locations, Hylant is recommending accepting this change. Since the insurance limit applies per loss, the likelihood of a claim exceeding \$400m considering the current geographic spread of risk is low. Zurich initially indicated a premium increase in the range of 20% to 30%. Hylant was successful in negotiating a better outcome with a 13% premium increase. Hylant reviewed with other insurers, who declined due to not being able to offer coverage for the dams or compete with Zurich's pricing. We recommend renewing the Property insurance with Zurich as proposed.

## **Public Entity Liability and Excess**

Per our pre-renewal discussions in October, we anticipated that your current lead carrier, APR/Vantapro, would require the Self-Insured Retention (SIR) be increased from \$500k to \$1m each occurrence, as well as require a rate increase. We were also anticipating your carriers may need to reduce capacity, which would further drive up the overall program premiums. We therefore marketed your lead layer insurance program to 13 carriers to ensure the City has vetted all options available in this difficult marketplace. We were successful in receiving formal quotes from 3 carriers, plus the incumbent. Each has offered options for requested coverage parts, however there are limitations to each quotation, which are highlighted in our quote summary.

Your incumbent carrier APR/Vantapro has quoted an increased SIR this year to \$1m each occurrence. However, they are now agreeable to a reduction in premium from expiring. They are quoting an 18% premium decrease, which is a savings of \$72,093 in premium vs expiring. The only change in coverage is a Communicable Disease exclusion which, since COVID-19, is present in all insurance coverage, and they have continued Michigan No Fault coverage at statutory limit which is preferred.

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Since Vantapro is not able to quote the expiring \$500k SIR but does have the broadest coverage available, Hylant did pursue a “buffer” option to fill in the \$500k x \$500k SIR layer. This was quoted by Argonaut for an annual premium of \$223,730. The consensus is that the risk of loss between \$500k and \$1m does not justify the \$224k in additional insurance expenses. The risk tolerance in this layer is supported by the City’s exemplary claim history. No public entity liability claims at the City of Ann Arbor have exceeded \$500k in twenty years or \$100k in ten years.

Regarding the \$10m x \$10m layer with HDI, this is also underwritten by APR, and they continue to have their full \$10m capacity available which writing excess of Vantapro. They have quoted limits and coverages per their expiring form with a 29% premium increase. The only change from expiring is the addition of the Communicable Disease exclusion. This carrier continues to be non-admitted in MI and the City would be subject to surplus lines taxes of 2.5%. There are currently no other carriers available that can offer a full \$10m excess limit.

Overall, the renewal premium for your \$20m limits with APR/Vantapro and HDI is down 7.9% from expiring with the City accepting a self-insured retention increase from \$500k to \$1m each occurrence.

## **Crime**

The renewal pricing with AIG is down by 3% this year.

## **Fiduciary Liability**

Chubb provided a guaranteed renewal endorsement last year, which kept the premium flat for the 2021 renewal.

## **Aviation / Airport Liability**

Coverage for the Airport Liability was placed with Chubb last year, on a 3-year policy term with annual installments until 3/1/2023. The premium will remain flat for the 2021 and 2022 annual installments.

## **Liquor Liability**

Liquor liability premium with Illinois Union (Chubb) increased 62% as a result of increasing the limit from \$500,000 to \$1,000,000 due to the increase in the self-insured retention on the casualty policy with Vantapro. The liquor liability was marketed to four other carriers. Nationwide offered a lower premium, but with a sub-limit for assault & battery claims of \$25,000 each occurrence. We recommend renewing with Illinois Union.

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# Executive Summary

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

It was discovered that the building limit for the parking garage at 650 S. Forest was shown on the statement of values and included in the Zurich property policy in error. Zurich has agreed to remove this from last year's policy and will return premium of \$11,697. The building limit was not increased on the separate Great American policy to match the statement of values, resulting in an increase in the separate property renewal of 77% or \$8,239, based on the increased limit of \$20,692,360.

The General Liability premium is down 10% due to a reduction in the annual revenue. Starstone advised this year that they could no longer offer \$10M limit for the Excess Liability. To achieve the full excess limit of \$10M, Colony provided a competitive quote for the first \$5M and Starstone quoted \$5M excess of Colony. The overall cost for the Excess Liability is down by 8%.

## **Network Security & Privacy (Cyber Liability)**

The Cyber insurance market has changed dramatically in recent months, with significant rate increases and reductions in coverage. AIG's renewal premium is up by 63% with an unfavorable reduction in coverage from \$2M to \$1M for ransomware and extortion, along with a 50% coinsurance clause. We marketed the program to many insurers this year and were not able to improve on the pricing, but have secured an alternate option with Travelers with better coverage terms. Although the Travelers quote is \$2,879 higher than AIG, our recommendation is to move this important line of coverage to Travelers.

## **Travel Accident Insurance**

Pricing is flat and was not marketed.

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,

Lisa Johnson  
Kim Cassey  
JPaul Dixon

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# Premium Summary

	Renewal Date	EXPIRING 2020 / 2021	RENEWAL 2021 / 2022	Increase (Decrease)	OPTIONS 2021 / 2022	Increase (Decrease)
<b>Property</b>	<b>1-Mar</b>	<b>Zurich</b>	<b>Zurich</b>		<b>Zurich</b>	
TIV - including scheduled dams		\$ 642,202,285	\$ 648,866,961	1.04%	\$ 648,866,961	
Policy limit		\$ 500,000,000	\$ 400,000,000	-20.00%	\$ 400,000,000	
Deductible		\$ 50,000	\$ 50,000		\$ 100,000	
Deductible - dams		\$ 250,000	\$ 250,000		\$ 250,000	
Rate (per '00)		6.07%	6.78%		6.47%	
<b>Premium</b>		<b>\$ 390,000</b>	<b>\$ 440,000</b>	<b>12.82%</b>	<b>\$ 420,000</b>	<b>7.69%</b>
<b>Public Entity Liability - Primary x SIR</b>	<b>1-Mar</b>	<b>Vantapro</b>	<b>Vantapro</b>			
Limit		\$ 1,000,000	\$ 1,000,000			
Self-Insured Retention		\$ 500,000	\$ 1,000,000			
Exposure data						
Fleet Power Unit Count		\$ 335	\$ 345	2.99%		
WC Payroll		\$ 62,761,128	\$ 62,761,128	0.00%		
General Fund Budget		\$ 111,728,766	\$ 112,777,739	0.94%		
Operation Budget		\$ 433,755,464	\$ 465,698,664	7.36%		
Premium		\$ 212,640				
<b>Excess Liability - \$9M x \$1M x SIR</b>	<b>1-Mar</b>	<b>AWAC</b>	<b>AWAC</b>			
Limit		\$ 9,000,000	\$ 9,000,000			
Premium		\$ 180,715				
<b>TOTAL PUBLIC ENTITY PREMIUM - 10m x SIR</b>		<b>\$ 393,355</b>	<b>\$ 321,262</b>	<b>-18.33%</b>		
<b>Excess Liability - \$10M x \$10M x SIR</b>	<b>1-Mar</b>	<b>HDI</b>	<b>HDI</b>			
Limit		\$ 10,000,000	\$ 10,000,000			
Premium		\$ 112,750	\$ 145,951	29.45%		
<b>Liquor Liability - Leslie Park Golf Course</b>	<b>1-Mar</b>	<b>Illinois Union</b>	<b>Illinois Union</b>			
Limit		\$ 500,000	\$ 1,000,000			
Annual receipts		\$ 68,000	\$ 62,000	-8.82%		
Premium		\$ 1,635	\$ 2,653	62.26%		
<b>Crime</b>	<b>1-Mar</b>	<b>AIG</b>	<b>AIG</b>			
Limit		\$ 5,000,000	\$ 5,000,000			
Deductible		\$ 50,000	\$ 50,000			
Premium		\$ 11,551	\$ 11,191	-3.12%		
<b>Fiduciary Liability</b>	<b>1-Mar</b>	<b>Chubb</b>	<b>Chubb</b>			
Limit		\$ 10,000,000	\$ 10,000,000			
Deductible		\$ 10,000	\$ 10,000			
Rating Basis - plan assets		\$ 704,213,721	\$ 706,326,009	0.30%		
Premium		\$ 31,589	\$ 31,589	0.00%		
<b>Cyber Liability</b>	<b>1-Mar</b>	<b>AIG</b>	<b>AIG</b>		<b>Travelers</b>	
Limit		\$ 2,000,000	\$ 2,000,000		\$ 2,000,000	
Deductible		\$ 50,000	\$ 50,000		\$ 50,000	
Ransomware		\$ 2,000,000	\$ 1,000,000		\$ 2,000,000	
Rating basis - gross revenue		\$ 244,902,472	\$ 248,192,752	1.34%	\$ 248,192,752	1.34%
<b>Premium</b>		<b>\$ 18,295</b>	<b>\$ 29,821</b>	<b>63.00%</b>	<b>\$ 32,700</b>	<b>78.74%</b>

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# Premium Summary

(continued)

	Renewal Date	EXPIRING 2020 / 2021	RENEWAL 2021 / 2022	Increase (Decrease)
<b>Aviation</b>	<b>1-Mar</b>	<b>Chubb</b>	<b>Chubb</b>	
Limit		\$ 25,000,000	\$ 25,000,000	
<b>Premium</b>		<b>\$ 13,541</b>	<b>\$ 13,541</b>	<b>0.00%</b>
<b>Travel Accident</b>	<b>1-Mar</b>	<b>Chubb</b>	<b>Chubb</b>	
Limit		\$ 100,000	\$ 100,000	
<b>Premium</b>		<b>\$ 1,750</b>	<b>\$ 1,750</b>	<b>0.00%</b>
<b>Property - Parking Structure 650 S. Forest</b>	<b>1-Mar</b>	<b>Great American</b>	<b>Great American</b>	
Building limity		\$ 11,679,474	\$ 20,692,360	77.17%
Business Income limit		\$ 2,200,000	\$ 1,424,183	-35.26%
Deductible		\$ 5,000	\$ 5,000	
<b>Premium</b>		<b>\$ 10,429</b>	<b>\$ 18,668</b>	<b>79.00%</b>
<b>General Liability - Parking Structure 650 S. Fores</b>	<b>1-Mar</b>	<b>Colony</b>	<b>Colony</b>	
Limit		\$ 1,000,000	\$ 1,000,000	
Revenue		\$ 2,200,000	\$ 1,424,183	-35.26%
<b>Premium</b>		<b>\$ 10,999</b>	<b>\$ 9,840</b>	<b>-10.54%</b>
<b>Excess Liability - Parking Structure - \$5M x \$1M</b>	<b>1-Mar</b>	<b>Torus/Starstone</b>	<b>Colony</b>	
Limit		\$ 10,000,000	\$ 5,000,000	
<b>Premium</b>		<b>\$ 13,212</b>	<b>\$ 6,923</b>	
<b>Excess Liability - Parking Structure - \$5M x \$5M</b>			<b>Starstone</b>	
Limit			\$ 5,000,000	
<b>Premium</b>			<b>\$ 5,176</b>	
<b>Total Premium Excess - Parking Structure</b>		<b>\$ 13,212</b>	<b>\$ 12,099</b>	<b>-8.42%</b>
<b>Total March Policies</b>		<b>\$ 1,009,106</b>	<b>\$ 1,038,365</b>	<b>2.90%</b>

**Notes:**

1. Commission included in Liquor Liability (\$252) and Fiduciary Liability (\$4,738).  
As these policies are covered by the Agency fee the City pays to Hylant, these amounts will be refunded.

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# Marketing Summary

The following insurance companies participate in the insurance marketplace for Public Entity business and were approached for the 2021 property and casualty insurance renewal.

## Property

- Allianz – Declined; cannot cover the dams
- Hartford – Declined; dams are outside risk appetite
- Liberty – Declined; limited interest in municipality, higher deductible would be required, not comfortable with dams
- Travelers – Declined; no interest in dams
- Zurich – Quoted

## Casualty (Public Entity Liability and Excess) -

- Primary Public Entity Liability:
  - Allied Public Risk / Vantapro– quote received \$10m x \$1m SIR
  - Munich – Quote Received \$10m x \$500k SIR
  - Genesis – indication of +\$400,000 for \$5M x \$500k SIR
  - Argonaut – Quote Received \$5m x \$500k SIR
  - Argonaut – Quote Received \$500k x \$500k SIR
  - Safety National – Quote Received \$5m x \$500k SIR
  - Chubb – Declined
  - Travelers – Declined
  - AIG - Declined
  - Old Republic – \$425,000 for \$5M X of \$500K
- Excess Liability:
  - HDI Specialty – \$10m x \$10m – Quote Received
  - Arch – Waiting on Quote
  - Genesis – \$5M X \$10M X \$1M SIR - \$150K
  - Berkley – Waiting on Quote
  - Markel – Waiting on Quote
  - Scion – Waiting on Quote
  - Chubb – Waiting on Quote

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# Marketing Summary

## Liquor Liability

- Chubb (Illinois Union) – quoted
- Nationwide (Scottsdale) – quoted lower premium, but with assault & battery sublimit of \$25,000 each claim, \$50,000 annual aggregate
- Other carriers considered that could not be competitive – USLI, Founders, Centrex

## Crime

- AIG – quoted
- Travelers – not competitive

## Fiduciary

- Chubb - quoted

## Aviation

- Chubb (3-year policy term in place until 3/1/2023)

## General Liability, Excess Liability and Property – Parking Structure

- Colony: quoted
- Starstone: quoted
- Great American: quoted

## Cyber Liability

- AIG – quoted, reduced extortion coverage from \$2M to \$1M, added 50% coinsurance
- Travelers – quoted, offering extortion coverage at \$2M, no coinsurance
- Additional markets that declined, couldn't offer \$2M limits, or were not competitive:
  - Coalition (Swiss Re and Lloyds), Axis, CFC, Corvus, Houston Casualty, HDI, Crum & Forster, ERisk, MunichRe, XL, Berkley

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