



HYLANT

INSURANCE PROPOSAL

City of Ann Arbor

PRESENTED BY:

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Executive Summary

January 27, 2022

Hylant is pleased to present the 2022 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 in October, the insurance market continues to be challenging with increased rates for most lines of coverage and insurers increasing retentions and pulling back on coverage limits. Rate increases and market appetite for municipalities have been significantly impacted.

The results of this insurance program renewal for the City of Ann Arbor with the incumbent carriers except for the Cyber Insurance, is a premium cost increase of 28%, with significant premium increases coming from the Public Entity Liability, Excess Liability, and Cyber Insurance. The Property renewal offering from Zurich is a modest rate increase under 5%, however; Zurich is increasing the deductible and reducing coverage for wind & tornado damage. Hylant is seeking improvements to coverage for the property program, which may increase the cost. We are also working to improve on the quoted Cyber Insurance pricing with other markets.

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.

Hylant recommends binding coverage as proposed below, with approval for additional cost that may be necessary to improve the Property coverage, with the City of Ann Arbor's authorization to do so.

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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
Alex Clark
Lisa Johnson
JPaul Dixon

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Premium Summary

	Renewal Date	EXPIRING 2021 / 2022	RENEWAL 2022 / 2023
Property	1-Mar	Zurich	Zurich
TIV - including scheduled dams		\$ 648,866,961	\$ 674,793,104
Policy limit		\$ 400,000,000	\$ 400,000,000
Sublimit for wind/tornado damage		not sublimited	\$ 50,000,000
Deductible		\$ 50,000	\$ 100,000
Deductible - dams		\$ 250,000	\$ 250,000
Deductible - wind/hail		1%, minimum \$500K	3%, minimum \$500K
Rate (per '00)		6.78%	7.08%
Premium		\$ 440,000	\$ 477,740
Public Entity Liability - Primary x SIR	1-Mar	Vantapro	Vantapro
Limit		\$ 1,000,000	\$ 1,000,000
Self-Insured Retention		\$ 1,000,000	\$ 1,000,000
<u>Exposure data</u>			
Fleet Power Unit Count		\$ 345	\$ 311
WC Payroll		\$ 62,761,128	\$ 65,159,131
General Fund Budget		\$ 112,777,739	\$ 118,160,321
Operation Budget		\$ 465,698,664	\$ 470,481,169
Premium		\$ 161,616	\$ 192,029
Excess Liability - \$9M x \$1M x SIR	1-Mar	AWAC	AWAC
Limit		\$ 9,000,000	\$ 9,000,000
Premium		\$ 158,846	\$ 206,959
Excess Liability - \$10M x \$10M x SIR	1-Mar	HDI	HDI
Limit		\$ 10,000,000	\$ 5,000,000
Premium		\$ 145,951	\$ 116,555
Excess Liability	1-Mar		Axis
Limit			\$ 5,000,000
Premium			\$ 112,750
TOTAL PUBLIC ENTITY LIABILITY PREMIUM		\$ 466,413	\$ 628,293
Liquor Liability - Leslie Park Golf Course	1-Mar	Illinois Union	Star
Limit		\$ 1,000,000	\$ 1,000,000
Annual receipts		\$ 62,000	\$ 73,300
Premium		\$ 2,653	\$ 1,603
Crime	1-Mar	AIG	AIG
Limit		\$ 5,000,000	\$ 5,000,000
Deductible		\$ 50,000	\$ 50,000
Premium		\$ 11,191	\$ 11,191

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Premium Summary

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Fiduciary Liability	1-Mar	Chubb	Chubb	
Limit		\$ 10,000,000	\$ 10,000,000	
Deductible		\$ 50,000	\$ 50,000	
Rating Basis - plan assets		\$ 706,326,009	\$ 870,595,082	23.26%
Premium		\$ 31,589	\$ 36,399	15.23%
Cyber Liability	1-Mar	Travelers	Coalition	
Limit		\$ 2,000,000	\$ 2,000,000	
Deductible		\$ 50,000	\$ 250,000	
Ransomware		\$ 2,000,000	\$ 2,000,000	
Premium		\$ 29,763	\$ 119,039	299.96%
Aviation	1-Mar	Chubb	Chubb	
Limit		\$ 25,000,000	\$ 25,000,000	
Premium		\$ 13,541	\$ 13,541	0.00%
Travel Accident	1-Mar	Chubb	Chubb	
Limit		\$ 100,000	\$ 100,000	
Premium		\$ 1,750	\$ 1,750	0.00%
Property - Parking Structure 650 S. Forest	1-Mar	Great American	Great American	
Building limity		\$ 20,692,360	\$ 21,842,854	5.56%
Business Income limit		\$ 1,424,183	\$ 1,424,183	0.00%
Deductible		\$ 5,000	\$ 5,000	
Premium		\$ 18,668	\$ 20,546	10.06%
General Liability - Parking Structure 650 S. Forest	1-Mar	Colony	Colony	
Limit		\$ 1,000,000	\$ 1,000,000	
Revenue		\$ 1,424,183	\$ 1,424,183	0.00%
Premium		\$ 9,840	\$ 10,380	5.49%
Excess Liability - Parking Structure - \$5M x \$1M	1-Mar	Colony	Colony	
Limit		\$ 5,000,000	\$ 5,000,000	
Premium		\$ 6,923	\$ 7,120	2.85%
Excess Liability - Parking Structure - \$5M x \$5M		Starstone	Starstone	
Limit		\$ 5,000,000	\$ 5,000,000	
Premium		\$ 5,176	\$ 5,280	2.01%
Total March Policies - existing quotes		\$ 1,037,507	\$ 1,332,882	28.47%
Contingency for improving property insurance coverage			\$ 50,980	
Total March Policies - recommended total		\$ 1,037,507	\$ 1,383,862	33.38%

Notes:

1. Commission included in Fiduciary Liability (\$5,460). This policy is covered by the Agency fee the City pays to Hylant, the commission will be refunded.
2. State surplus lines taxes of 2.5% apply and are included in premiums for Excess Liability with HDI and Axis, Cyber Liability with Coalition, General and Excess Liability for parking structure with Colony and Starstone

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Marketing Overview

The following insurance companies were approached for the 2022 Property & Casualty Insurance Renewal.

Property

- Allianz – Declined; cannot cover the dams
- Chubb – initial declination due to dams, currently reconsidering and have indicated they will cover the dams if they can get comfortable with the equipment breakdown risk for the two hydro dams. Will provide full wind coverage. Policy deductible will be \$100,000. Expect premium to be under \$500,000.
- 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
- CNA - Declined

Excess Wind Markets (excess over \$50 million wind/tornado sublimit):

- Arch – waiting on response
- Aspen – waiting on response
- Axis - Declined-no wind/tornado only
- Hallmark – waiting on response
- Markel - waiting on response
- Ironshore - waiting on response
- Munich - waiting on response
- Sompo - waiting on response
- RSUI - waiting on response
- Westchester - Declined/blocked-(by Chubb)
- Travelers - Declined/cannot write named perils

Excess Flood Markets (excess over \$5 million for high hazard flood locations)

- Arch – waiting on response
- Aspen – waiting on response
- Axis – indication \$195,000 for \$5 million
- Balance Partners - Declined-TIV too high
- Dual - Declined- no waste-water plants
- Hallmark – waiting on response
- Intact – waiting on response

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- Ironshore – waiting on response
- James River – waiting on response
- Munich – waiting on response
- Sompo – waiting on response
- Westchester – waiting on response

Casualty (Public Entity Liability and Excess) -

- Primary Public Entity Liability:
 - Allied Public Risk / Vantapro– quote received \$10m x \$1m SIR
 - Munich – Indication Received \$10m x \$1m SIR with coverage restrictions
 - Genesis – indication of \$500,000 for \$5M x \$1m SIR
 - Argonaut – Decline - No longer writing Public Entity SIR accounts
 - Safety National – Decline – must write the Excess WC to quote liability coverages
 - Intact – Decline – no longer writing police professional
 - Chubb – Declined
 - Travelers – Declined – will not approve TPA
 - AIG – Declined
 - Berkley - Declined
 - Old Republic – Quoted \$5m x \$1m SIR for +\$500k annual premium
- Excess Liability:
 - HDI Specialty – \$5m x \$10m – Quote Received
 - Axis – - \$5m x \$15m – Quote Received
 - Genesis – \$5m excess limit available for minimum premium \$200,000
 - Munich - \$5m excess limit available for minimum premium \$200,000
 - Berkley – \$5m x \$15m – Quote Received
 - Markel – Waiting on Quote
 - Hallmark– Waiting on Quote
 - Chubb – Waiting on Quote
 - Navigators / Hartford – Waiting on Quote

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Liquor Liability

- Chubb (Illinois Union) – non-renewal
- Star - quoted
- Nationwide (Scottsdale) – no response
- Other carriers considered that could not be competitive – USLI, Founders, Centrex

Crime

- AIG – quoted flat premium

Fiduciary

- Chubb – quoted with 2-year rate guarantee

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 – Unable to be competitive, no longer writing municipalities with full ransomware
- AmWins
 - Westchester - \$1 million limit xs \$1.5 million for \$225k (only included \$250k ransomware with a 25% co insurance as well a widespread event 50% sublimit
 - Tokio Marine- Declined
 - Zurich – no terms unless a risk management call is scheduled
 - Crum & Forester – decline, no municipalities over \$100 million in revenue
- Allied World – decline, out of appetite
- Axis – decline, out of appetite
- Coalition – quoted
- Corvus – decline, lack of MFA controls

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- Cowbell – pending, need additional questions answered
- Great American – will consider excess, pushing back on their primary decline
- Starr- decline, lack of MFA controls
- Travelers – decline, MFA attestation answers with a no

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