



# HYLANT

## INSURANCE PROPOSAL

### City of Ann Arbor

#### PRESENTED BY:

**JPAUL DIXON**

CLIENT EXECUTIVE, SVP

**LISA L. JOHNSON**

CLIENT SERVICE EXECUTIVE

**KIMBERLY CASSEY**

CLIENT SERVICE EXECUTIVE, VP

**ROB NUGENT**

CYBER RISK ADVISOR

**DEBORAH NEFF**

SENIOR CLIENT SERVICE SPECIALIST

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Office – 201 Depot Street | Ann Arbor, MI 48104

P (734) 741-0044 F (734) 741-1850

[hylant.com](http://hylant.com)



# Executive Summary

January 22, 2024

Hylant is pleased to present the 2024 Property and Casualty (P/C) insurance renewal results for the City of Ann Arbor. This renewal proposal includes the following coverages:

- Public Entity Liability and Excess
- Property
- Cyber Liability

As discussed at our renewal strategy meeting on November 14th, rates continue to increase for most lines of coverage, with property insurance experiencing average rate increases above double digits. The current marketplace for casualty coverage for municipalities is very selective on new business with carriers adhering to very strict underwriting guidelines and information, specifically training programs for law enforcement. Many carriers have limited appetite for insuring the dams, for both property and casualty lines.

Hylant has secured an option for a Self-Insured Retention Aggregate on the Public Entity Liability, limiting the City's exposure to large retention amounts in the event of multiple catastrophic claims in a single policy year, as well as an option for higher Cyber Risk insurance limits.

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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# Executive Summary

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**Outlined below is a high-level summary of the 2024 renewal terms:**

## **Public Entity Liability and Excess**

Your public entity liability program was marketed last year, and your lead layer was moved to Old Republic. Old Republic had the most competitively priced program offering \$5m limit excess of a \$1m SIR. For this year's renewal, we did not market the lead layer as Old Republic committed to no program structure changes, no coverage changes, and a rate increase that was within the overall marketplace projections. Their renewal quote reflects a 6% rate increase, and an overall 10% premium increase with MCCA and TRIA charges. Since this is a renewal for Old Republic, they are agreeable to offering a lower SIR option, as well as an aggregate SIR option for your consideration. They have offered a \$750k SIR option, as well as a split SIR option of \$1m/\$750k. The aggregate SIR option is only available with the \$1m each occurrence SIR quote.

Regarding the excess layers, you currently have \$5m x 5m with Gemini, and the \$10m x 10m layer with Allied World. These layers have been quoted by the incumbent carriers and overall premium is up 16% from expiring. We have marketed these layers to other carriers and are waiting for optional quotes. These carries have added two new exclusions: PFAS, and Cyber/Biometric Data.

## **Property**

The City's property insurance was marketed in 2022 and the coverage was moved to Chubb. Chubb had the most competitive option, maintaining coverage on the dams and not applying a sublimit to wind claims. The per occurrence deductible was raised to \$100,000.

For the 2023 renewal, Chubb held overall rates to a 7% increase, in the lower end of typical rate increases between 5% and 15% last year.

For the 2024 renewal, Chubb has not provided the formal quote, but has advised that the renewal rate increase will be below 6%. This is again a favorable result from Chubb, with average property rates increasing by double digits. Overall pricing including a 3.59% increase in building values is expected to be 9.5% above expiring. Coverage terms will remain the same as the expiring policy.

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

The City's Cyber Risk insurance was marketed extensively in 2022 and 2023, with Cowbell providing the most competitive coverage terms and pricing.

Over the past couple of years, the City has made improvements in security, particularly with respect to MFA for all remote access. This did not go unnoticed by Cowbell as they have provided renewal pricing with a reduction of 16.7% for 2024, while maintaining coverage terms as expiring. We have also secured options for increased limits of \$3 and \$5M for your consideration.

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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 2023 / 2024	RENEWAL 2024 / 2025	Increase (Decrease)	AM Best Rating
<b>Public Entity Liability - Primary x SIR</b>	<b>1-Mar</b>	<b>Old Republic</b>	<b>Old Republic</b>		<b>A++</b>
Limit		\$ 5,000,000	\$ 5,000,000		
Self-Insured Retention Each Occurrence		\$ 1,000,000	\$ 1,000,000		
Self-Insured Retention Aggregate		N/A	\$ 1,500,000		
Aggregate Stop Limit		N/A	\$ 2,000,000		
<u>Exposure data</u>					
Fleet Power Unit Count		292	283	-3.08%	
WC Payroll		\$ 67,808,311	\$ 69,361,994	2.29%	
General Fund Budget		\$ 123,373,369	\$ 130,438,071	5.73%	
Operation Budget		\$ 526,176,791	\$ 564,946,738	7.37%	
Premium		\$ 404,926	\$ 475,507	17.43%	
<b>Excess Liability - \$5M x \$5M x SIR</b>	<b>1-Mar</b>	<b>Gemini</b>	<b>Gemini</b>		<b>A+</b>
Limit		\$ 5,000,000	\$ 5,000,000		
Premium		\$ 192,546	\$ 239,594	24.43%	
<b>Excess Liability - \$10M x \$10M x SIR</b>	<b>1-Mar</b>	<b>AWAC</b>	<b>AWAC</b>		<b>A</b>
Limit		\$ 10,000,000	\$ 10,000,000		
Premium		\$ 269,165	\$ 297,250	10.43%	
<b>TOTAL PUBLIC ENTITY LIABILITY PREMIUM</b>		<b>\$ 866,637</b>	<b>\$ 1,012,351</b>	<b>16.81%</b>	
<b>Property</b>	<b>1-Mar</b>	<b>Chubb</b>	<b>Chubb</b>		<b>A++</b>
TIV - including scheduled dams		\$ 779,170,081	\$ 807,174,156	3.59%	
Policy limit		\$ 400,000,000	\$ 400,000,000	0.00%	
Deductible		\$ 100,000	\$ 100,000		
Deductible - dams		\$ 250,000	\$ 250,000		
Rate (per '00)		0.079	0.084	5.69%	
Premium		\$ 616,495	\$ 675,000	9.49%	
<b>Cyber Liability</b>	<b>1-Mar</b>	<b>Cowbell (Palomar Excess and Surplus Ins.Co.)</b>	<b>Cowbell (Palomar Excess and Surplus Ins.Co.)</b>		<b>A++</b>
Limit		\$ 2,000,000	\$ 5,000,000		
Deductible		\$ 150,000	\$ 150,000		
Ransomware		\$ 2,000,000	\$ 5,000,000		
Premium		\$ 99,363	\$ 199,572	100.85%	
<b>Total March Policies</b>		<b>\$ 1,582,495</b>	<b>\$ 1,886,923</b>	<b>19.24%</b>	

**Notes:**

**1. Coverage improvements included for 3/1/2024 renewal:**

**a. Public Entity Liability**

The City's Self-Insured Retention (SIR) of \$1,000,000 applies to each and every claim. Added SIR Aggregate of \$1,500,000 per policy term with \$2,000,000 Aggregate Stop Limit. After \$2,000,000 stop limit is paid by Old Republic, policy reverts to \$1,000,000 SIR each and every claim.

**b. Cyber Liability**

Coverage limit increased to \$5,000,000

**2. State surplus lines taxes of 2.5% apply and are included in premiums for Excess Liability with Gemini, AWAC; Cyber Liability with Cowbell**

**3. Commission included in Cyber Liability (\$11,993). This policy is covered by the Agency Fee the City pays to Hylant; the commission will be refunded**

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# Marketing Summary

The following insurance companies have an appetite for Public Entity business and were approached for the 2024 P/C Insurance Renewal.

## Casualty (Public Entity Liability and Excess)

- Excess Liability:
  - Allied World – Quote Received
  - 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 – Quote Received
  - Markel – reviewing submission
  - Hallmark – reviewing submission
  - Chubb – reviewing submission
  - Navigators / Hartford – reviewing submission
  - AIG – reviewing submission
  - Arch – reviewing submission

## Property

- Chubb - quoted

## Cyber Liability

- Cowbell – quoted

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