



Executive Summary

January 29, 2020

Hylant is pleased to present the 2020 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
- Aviation
- General Liability and Property for the S. Forest Parking Structure

Over the past six years, insurance rates for the City have remained stable or have decreased slightly. As discussed at our renewal strategy meeting on September 30th, the insurance market has rapidly changed during 2019 with increased rates for most lines of coverage. The total renewal premium for the City, with the incumbent carriers, is up approximately 33%, based upon the renewal quotes received. We are recommending moving property coverage from AIG to Zurich, moving the Excess Liability from AWAC to HDI, and moving the Aviation liability from Old Republic to Chubb. This will change the total premium increase to 21%.

Outlined below is a high level summary of the 2020 renewal terms:

Property

The expiring program policy was a three-year guarantee with AIG which protected the City of Ann Arbor from hard market that began in early 2019. In 2019, AIG and FM Global began reviewing their book of business due to poor financial results, non-renewing certain occupancies, restricting coverage and increasing rates.

Hylant marketed the 2020/21 program to accomplish the best renewal for the City of Ann Arbor. AIG and Zurich offered quotations; many others declined, mainly because of the dams and water & sewage treatment facilities.

AIG's renewal quotation includes multiple changes from expiring; reduced limits and coverage, including an exclusion for the Barton and Superior dams. Zurich provided a quotation inclusive of the of the dams, but their quotation also has some coverage and limit differences over the expiring program. Both markets excluded the Auto Physical Damage (over-the-road) coverage.

The Property Insurance section of the proposal provides a summary of the differences and renewal pricing. To maintain coverage for the dams, it is recommended coverage be placed with Zurich.

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Executive Summary

(continued)

Public Entity Liability and Excess

The primary \$10m x \$500k SIR renewal quote from Allied Public Risk (APR) is being moved from AWAC paper to Vantapro paper. Both are AWAC carriers and rated A XV by AM Best. This change was made to release their new coverage form for their public entity clients, which includes no material changes from expiring. APR has quoted an overall 2% premium increase on the primary \$10m limits program, maintaining the SIR at \$500,000 each occurrence. This is inclusive of the new MCCA surcharge that will be in effect on July 2, 2020. This is also inclusive of the City's 4.8% budgeted revenue increase for 2020.

Regarding the \$10m x \$10m layer with AWAC, they have quoted a 34% premium increase, which is per their pre-renewal indication back in September. We were able to get an optional quote from HDI which reflects a 4.5% premium increase, however this carrier is non-admitted in MI and the City would be subject to surplus lines taxes of 2.5%.

Crime

We worked with AIG to hold the rate flat this year and requested an option for a multi-year policy term to lock in rates. AIG was not able to offer a multi-year policy term.

Fiduciary Liability

Although the asset growth in the retirement plans over the last 2 years is almost 18%, Chubb increased the renewal premium by only 7%. The HIPAA sublimit has been increased from \$250,000 to \$500,000. The 2020 renewal includes a guaranteed renewal endorsement, which will keep the premium flat next year.

Aviation / Airport Liability

Old Republic quoted the renewal with a 15% increase, which is lower than most aviation renewal increases. The aviation market is generally increasing rates between 20%-30%. Coverage terms are per expiring.

We also approached Chubb as they have recently been competitive for mid-size municipal airports. Chubb provided a competitive option that is 10% below expiring for the same coverage. We recommend moving the Airport Liability policy to Chubb.

Liquor Liability

Liquor liability rates with Illinois Union (Chubb) increased 11% resulting in a premium increase of \$151.

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Executive Summary

(continued)

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

The rates increased for General Liability and Property lines by modest amounts, +6.3% and +4.8% respectively, which are below market increases. Excess Liability has increased 9.45%, which is also below average market increases.

Network Security & Privacy (Cyber Liability)

We negotiated with AIG for a rate reduction of 5% or more and did not approach other markets. The primary rating basis, gross revenue, is up by 9.66% in 2019 compared with 2018. AIG provided a rate reduction of 6.3%, resulting in a net premium increase of 3.36%.

Travel Accident Insurance

Travel Accident was added to the program in 2016. 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,

JPaul Dixon

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Premium Summary

	Renewal Date	EXPIRING 2019 / 2020	RENEWAL 2020 / 2021	Increase (Decrease)	RECOMMENDED OPTION 2020 / 2021	Increase (Decrease)
Property TIV - including scheduled dams	1-Mar	AIG \$ 608,090,211	AIG \$ 646,843,548	6.37%	PROPERTY OPTION Zurich \$ 662,598,894	8.96%
Deductible		\$ 50,000	\$ 100,000		\$ 50,000	
Deductible - dams		\$ 100,000	\$ 100,000		\$ 250,000	
Rate (per '00)		5.06%	7.21%		5.89%	
Premium		\$ 307,869	\$ 466,056	81.69%	\$ 390,000	56.99%
Auto Physical Damage			Allianz		Allianz	
Deductible		\$ 50,000	\$ 25,000		\$ 25,000	
Premium		Included in property	\$ 93,309		\$ 93,309	
Public Entity Liability - Primary x SIR	1-Mar	AWAC	Vantapro/AWAC			
Limit		\$ 1,000,000	\$ 10,000,000			
Self-Insured Retention		\$ 500,000	\$ 500,000			
Rating Basis - City Budget		\$ 106,619,313	\$ 111,728,766	4.79%		
Premium		\$ 213,566	\$ 393,355	84.18%		
Excess Liability - \$9M x \$1M x SIR	1-Mar	AWAC	Vantapro/AWAC			
Limit		\$ 9,000,000	See Primary Limit			
Premium		\$ 170,661	Included in Primary	N/A		
TOTAL PUBLIC ENTITY PREMIUM - 10m x SIR		\$ 384,227	\$ 393,355	2.38%		
Excess Liability - \$10M x \$10M x SIR	1-Mar	AWAC	AWAC		EXCESS LIAB OPTION	
Limit		\$ 10,000,000	\$ 10,000,000		HDI	
Premium		\$ 105,225	\$ 141,200	34.19%	\$ 10,000,000	
					\$ 112,750	7.15%
Liquor Liability - Leslie Park Golf Course	1-Mar	Illinois Union	Illinois Union			
Limit		\$ 1,000,000	\$ 1,000,000	0.00%		
Premium		\$ 1,333	\$ 1,484	11.33%		
Crime	1-Mar	AIG	AIG			
Limit		\$ 5,000,000	\$ 5,000,000			
Deductible		\$ 50,000	\$ 50,000			
Premium		\$ 11,504	\$ 11,551	0.41%		
Fiduciary Liability	1-Mar	Chubb	Chubb			
Limit		\$ 10,000,000	\$ 10,000,000			
Deductible		\$ 10,000	\$ 10,000			
Rating Basis - plan assets		\$ 597,812,219	\$ 704,213,721	17.80%		
Premium		\$ 29,466	\$ 31,589	7.20%		
Cyber Liability	1-Mar	AIG	AIG			
Limit		\$ 2,000,000	\$ 2,000,000			
Deductible		\$ 50,000	\$ 50,000			
Rating basis - gross revenue		\$ 223,324,113	\$ 244,902,472	9.66%		
Premium		\$ 17,700	\$ 18,295	3.38%		
Aviation	1-Mar	Old Republic	Old Republic		AVIATION OPTION	
Limit		\$ 25,000,000	\$ 25,000,000		Chubb	
Premium		\$ 13,483	\$ 15,505	15.00%	\$ 25,000,000	
					\$ 12,065	-10.52%

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Travel Accident	1-Mar	Chubb	Chubb			
Limit		\$ 100,000	\$ 100,000			
Premium		\$ 1,750	\$ 1,750	0.00%		
Property - Parking Structure	1-Mar	Great American	Great American			
TIV		\$ 11,679,474	\$ 11,679,474	0.00%		
Deductible		\$ 5,000	\$ 5,000			
Premium		\$ 9,811	\$ 10,429	6.30%		
General Liability - Parking Structure	1-Mar	Colony	Colony			
Limit		\$ 1,000,000	\$ 1,000,000			
Premium		\$ 10,488	\$ 10,999	4.87%		
Excess Liability - Parking Structure	1-Mar	Torus/Starstone	Torus/Starstone			
Limit		\$ 10,000,000	\$ 10,000,000			
Premium		\$ 12,071	\$ 13,212	9.45%		
Total March Policies		\$ 904,927	\$ 1,208,734	33.57%	\$ 1,100,788	21.64%

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