

CITY OF WILLIAMSPORT, PA RESOLUTION

RESOLUTION # 8958

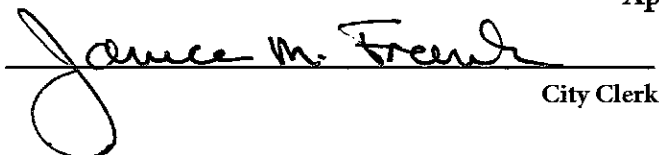
DATE 12-12-19

TITLE

RESOLUTION FOR VARIOUS INSURANCE NEEDS FOR POLICY YEAR 01/01/20 THROUGH 01/01/21

BE IT HEREBY RESOLVED by the City Council of the City of Williamsport that the appropriate City officials are hereby authorized to execute insurance policies as follows:

<u>Policy</u>	<u>Carrier</u>	<u>Premium</u>
Property & Liability Package	Travelers Group Companies	\$302,353
Cyber Liability	BCS Insurance Co	7,954
Workers Compensation	Travelers Group Companies	<u>406,516</u>
		\$716,823
 <u>Options</u>		
Reduce Employment Practice Liability Deductible from \$15,000 to \$10,000		\$629
Include Agreed Value for Fire Trucks		<u>1,715</u>
Total Cost with Options		\$719,167



City Clerk

Approved



President



CITY OF WILLIAMSPORT

OFFICE OF FINANCE & BUDGET

MEMORANDUM

TO: Members, Williamsport City Council

FROM: Finance Department

RE: Resolution for Various Insurance Needs

DATE: December 6, 2019

Attached for your consideration is a resolution to approve the various insurance policies for the 2020 calendar year. The City's broker of record Arthur J Gallagher marketed the City's insurance needs and provided renewal pricing for Property, Crime, General Liability, Public Officials Liability, Law Enforcement Liability, TRIA, Automobile, Umbrella/Excess and Workers Compensation coverage with the Travelers Group Companies and Cyber through BCS Insurance Companies. In addition to the coverage previously discussed, Gallagher has recommended the following changes/additions to our coverage: (1) reduced employment practice liability deductibles and (2) agreed value for Fire Trucks. Upon final review by the City's insurance consultant, Jill Nagy, it is recommended that the City accept coverage, including options, in the total amount of approximately \$718,000. With the proposed coverage limits, the total premium shows a 3.7% increase from the 2019 premium cost. Attached for your review is a Renewal Summary, Current Cost Schedule and State of the Insurance Market summary. This renewal falls within the 2020 proposed budget.

This item is scheduled to be reviewed by the Finance Committee on Tuesday, December 10.

City of Williamsport, PA

January 1, 2020 -2021 Insurance Program Renewal Summary

Following is a very brief overview of Williamsport’s January 2020 – 2021 Property, Liability and Workers Compensation insurance program. For a more detailed summary, please refer to the complete Renewal Proposal delivered to the City and under date of November 26, 2019.

Renewal Cost

Property & Liability Package	\$ 302,353
Property	
Crime	
Equipment Breakdown	
General Liability	
Law Enforcement Liability	
Automobile Liability	
Auto Physical Damage	
Public Entity Management Liability	
Employment Practices Liability	
Umbrella / Excess Liability - \$5M	
Cyber Liability (\$1M w/ \$100K Cyber Deception)	\$ 7,954
Workers Compensation	\$ 399,210
Taxes & Surcharges	<u>7,306</u>
TOTAL	\$ 716,823

Recommended Options

There is no guarantee any limit of insurance is adequate. Accordingly, the reasonableness of the insurance limits and breadth of coverage must be weighed against other budgetary demands. With these considerations in mind, both Arthur J. Gallagher & Co. and Summers Nagy Law recommend Williamsport exercise following options to the City’s renewal program:

1) Reduce Employment Practice Liability Deductible from \$15,000 to \$10,000	+ 629
2) Include Agreed Value for Fire Trucks	<u>+ 1,715</u>
Total Cost with Options	\$ 722,046

City of Williamsport, PA

January 1, 2020 -2021 Insurance Program Renewal Summary

Premium History

Total cost savings to Williamsport since Gallagher involvement is in excess of \$243,000 in direct costs:

Item	2018 Cost	2019 Cost*	2020 Cost	Variance to Expiring	
Property	\$168,058	\$99,109	\$104,964	\$5,855	6%
Crime	3,780	956	956	\$0	0%
Liability Package	187,100	175,016	173,429	-\$1,587	-1%
Umbrella/ Excess Liab.	28,323	24,453	23,004	-\$1,449	-6%
Cyber	5,408	5,773	7,954	\$2,181	38%
Core360 LC	not included	not included	0	\$0	0%
Subtotal - Package	\$392,669	\$305,307	\$310,307	\$5,000	1.6%
Worker's Comp	425,669	379,808	399,210	\$19,402	5%
WC Taxes/Surcharges	9,876	8,242	7,306	-\$936	-11%
Subtotal - WC	\$435,545	\$388,050	\$406,516	\$18,466	4.8%
Total - as expiring	\$828,214	\$693,357	\$716,823	\$23,466	3.4%
Recommended Options	na	na	\$2,344	\$2,344	0%
Grand Total w/ options	\$828,214	\$693,357	\$719,167	25,810	3.7%

Savings since AJG involvement	\$134,857	\$109,047
	\$243,904	

* Original 2019-2020 cost was \$714,775 but subsequent amendments reduced to \$693,357

These results were achieved in a firming marketplace further challenged by notable development in the losses excess of the City's deductibles since last year:

Term	Package			Workers Comp		
	@ YE 2018	@ YE 2019	YoY Change	@ YE 2018	@ YE 2019	YoY Change
2019	na	17,168	17,168	na	7,163	7,163
2018	34,229	117,499	83,270	90,190	90,190	0
2017	235,700	681,701	446,001	114,819	114,819	0
2016	130,970	239,844	108,874	46,654	46,654	0
2015	19,237	39,814	20,577	394,092	394,092	0
2014	891,446	891,446	0	77,651	77,651	0
	1,311,582	1,987,472	675,890	723,406	730,569	7,163

City of Williamsport, PA

January 1, 2020 -2021 Insurance Program Renewal Summary

Considerations - Invest 10% of Premium Savings on Risk Management

We suggest Williamsport set aside 10% (i.e., ~\$24,000) of the premium savings over the last 2 terms relative to the pre-Gallagher costs for investment in future initiatives to manage and reduce the cost of risk. An immediate recommendation for use of such a set aside is **an appraisal of city property**, at least starting with the larger, high value locations. Insurance to value is under increased scrutiny by insurance companies and we are advising all buyers to scrupulously validate and update values in anticipation of this increased scrutiny.

Other uses could involve addressing insurance company loss control recommendations as these can no longer be ignored with any expectation of obtaining the best rates.

Loss Prevention and Claims

Current term efforts included:

- Coordinated and assistance with Risk Control inspections by Travelers including all major facilities (e.g., City Hall, Public Services, Bowman Field, parks, pump stations & electrical substations, etc.).
- Assisted in drafting responses to Travelers' risk control recommendations
- Provided periodic loss summaries and detailed claim reports
- Attended 3 Williamsport Safety Committee meetings and provided content or in-service training
- Provided guidance on reinstatement of police canine program

For the 2020 term, Gallagher is including its CORE360™ web based loss control and employee training platform at no additional cost for up to 10 training modules per year:

- 100+ training web based training courses covering such areas such as employment practices, fundamentals of safety, human resources, leave-related laws, sexual harassment, and workplace risk management
- Weekly training bulletins
- Comprehensive model handbook
- Self-guided HR assessments
- Management tools to track and run usage/completion reports

Examples of course offerings are on the following page.

City of Williamsport, PA

January 1, 2020 -2021 Insurance Program Renewal Summary

Loss Prevention and Claims

HUMAN RESOURCES TRAINING MODULES		
10-25 Minute Modules with a Quiz		
<input type="checkbox"/> Americans with Disabilities Act (ADA) <input type="checkbox"/> Anti-Discrimination Training <input type="checkbox"/> California Ethics <input type="checkbox"/> California Sexual Harassment Prevention & Response <input type="checkbox"/> English <input type="checkbox"/> Spanish <input type="checkbox"/> Connecticut Sexual Harassment Prevention & Response <input type="checkbox"/> Discrimination <input type="checkbox"/> Diversity <input type="checkbox"/> Ethics in Action	<input type="checkbox"/> Fair & Accurate Credit Transaction Act (FACTA) <input type="checkbox"/> Family Medical Leave Act (FMLA) <input type="checkbox"/> Interviewing Strategies <input type="checkbox"/> Maine Sexual Harassment Prevention & Response <input type="checkbox"/> Personnel Files <input type="checkbox"/> Prevention of Harassment and Discrimination <input type="checkbox"/> Sensitivity Basics: Creating Positive Working Relationships	<input type="checkbox"/> Sexual Harassment <input type="checkbox"/> English <input type="checkbox"/> Spanish <input type="checkbox"/> Smart Hiring <input type="checkbox"/> SRM – Core Principles <input type="checkbox"/> Theft <input type="checkbox"/> Unsafe Acts <input type="checkbox"/> Violence Prevention <input type="checkbox"/> Workers Compensation <input type="checkbox"/> Workplace Investigations Basics <input type="checkbox"/> Wrongful Termination

SAFETY TRAINING MODULES		
10-25 Minute Modules with a Quiz		
<input type="checkbox"/> Accident Investigation Techniques <input type="checkbox"/> Asbestos Awareness (General Industry) <input type="checkbox"/> Basic Conveyor Safety <input type="checkbox"/> Bloodborne Pathogens <input type="checkbox"/> English <input type="checkbox"/> Spanish <input type="checkbox"/> Creating a Safe Holiday Celebration <input type="checkbox"/> Defensive Driving – Accident Scene Management <input type="checkbox"/> Defensive Driving – Backing Safely, R is for Reverse <input type="checkbox"/> Defensive Driving Basics – Part I <input type="checkbox"/> Defensive Driving – Changing Lanes Safely <input type="checkbox"/> Defensive Driving – Driving Safely in School Zones <input type="checkbox"/> Defensive Driving – General Auto Risk Management <input type="checkbox"/> Defensive Driving – Intersections <input type="checkbox"/> Defensive Driving – Reducing Deer Related Incidents	<input type="checkbox"/> Defensive Driving – Safe Following Distance <input type="checkbox"/> Defensive Driving – Spring Weather Conditions <input type="checkbox"/> Defensive Driving – Winter Weather Conditions <input type="checkbox"/> Determining the Root Cause of Accidents <input type="checkbox"/> Disaster Planning 101 <input type="checkbox"/> Electrical Safety <input type="checkbox"/> Employee & Family Disaster Planning <input type="checkbox"/> Fire Prevention Practices <input type="checkbox"/> Forklift Safety Basics for General Industry <input type="checkbox"/> Hazard Communication <input type="checkbox"/> English <input type="checkbox"/> Spanish <input type="checkbox"/> Hearing Protection <input type="checkbox"/> Housekeeping–Custodial, Safe Housekeeping Practices <input type="checkbox"/> Identifying Strain & Exertion Exposures <input type="checkbox"/> English <input type="checkbox"/> Spanish <input type="checkbox"/> Lead-Based Paint <input type="checkbox"/> Lockout/Tagout	<input type="checkbox"/> Machine Guarding <input type="checkbox"/> English <input type="checkbox"/> Spanish <input type="checkbox"/> Means of Egress <input type="checkbox"/> Mold <input type="checkbox"/> Office Ergonomics Defined <input type="checkbox"/> Office Ergonomics – Working in Comfort <input type="checkbox"/> Office Workstation Safety <input type="checkbox"/> Office Workstation Safety for Supervisors <input type="checkbox"/> Personal Protective Equipment <input type="checkbox"/> English <input type="checkbox"/> Spanish <input type="checkbox"/> Portable Fire Extinguishers I <input type="checkbox"/> Portable Fire Extinguishers II <input type="checkbox"/> Preparation for Physical Activity <input type="checkbox"/> Preventing Back Injuries <input type="checkbox"/> English <input type="checkbox"/> Spanish <input type="checkbox"/> Preventing Slips, Trips and Falls <input type="checkbox"/> Safety Pays for Life <input type="checkbox"/> Temp Staffing Services Employee Safety Orientation <input type="checkbox"/> English <input type="checkbox"/> Spanish

SAFETY SHORTS		
5 Minute Safety Talk Type Module with no QUIZ – Two Safety Shorts are considered one module selection		
<input type="checkbox"/> Bloodborne Pathogens <input type="checkbox"/> Electrical Safety <input type="checkbox"/> Emergency Procedures <input type="checkbox"/> Fire Prevention and Protection <input type="checkbox"/> Hand and Power Tools <input type="checkbox"/> Hazard Communication	<input type="checkbox"/> Housekeeping/Custodial – Before You Start <input type="checkbox"/> Housekeeping/Custodial – Cleaning by Hand <input type="checkbox"/> Housekeeping/Custodial – Emptying Trash <input type="checkbox"/> Housekeeping/Custodial – Mopping and Emptying Buckets <input type="checkbox"/> Housekeeping/Custodial – Preventing Slips, Trips and Falls	<input type="checkbox"/> Housekeeping – General <input type="checkbox"/> Ladder Safety <input type="checkbox"/> Lockout/Tagout <input type="checkbox"/> Personal Protective Equipment <input type="checkbox"/> Safe Lifting Practices <input type="checkbox"/> Slip, Trip and Fall

Current Insurance Schedule

Coverage/Service	Insurance Company	Policy Number	Policy Term	Premium/Cost*
Property & Liability Package	Travelers Property Casualty Company of America	H-630-9M805648-TIL-19	1/1/19 – 1/1/20	\$298,578
Property	Travelers Property Casualty Company of America	H-630-9M805648-TIL-19		
Equipment Breakdown	Travelers Property Casualty Company of America	H-630-9M805648-TIL-19		
Crime	Travelers Property Casualty Company of America	H-630-9M805648-TIL-19		
General Liability	The Charter Oak Fire Insurance Company	ZLP-41N05221-19-PB		
Law Enforcement	The Charter Oak Fire Insurance Company	ZLP-41N05221-19-PB		
Public Officials Liability	The Charter Oak Fire Insurance Company	ZLP-41N05221-19-PB		
Automobile	The Travelers Indemnity Company	H-810-9M805648-IND-19		
Umbrella/Excess Liability	The Travelers Indemnity Company	UP-21P2076A-19-PB		
Cyber Liability	BCS Insurance Company	RPS-P-50141681M	1/1/19 – 1/1/20	\$5,773
Workers Compensation	The Phoenix Insurance Company	UB-9M886303-19-PB-G	1/1/19 – 1/1/20	\$388,050
TOTAL				\$692,401

* Premium is as of policy inception

State of the Insurance Market

Summary for 2019 Q3

The Property market for the public sector around the entire country (not just CAT exposed) is in a hardening market. Rate increases from 10% to 20% or more are not unusual. Carriers are now requiring insureds in certain geographic areas of the country to switch from flat per occurrence to a percentage of damaged property (typically 3% to 5%) for perils such as wind and hailstorm. Carriers are pulling from the market and cutting capacity. Many accounts are going from a single admitted carrier to a layered program with multiple carriers (and possibly quota shared depending on the risk) with excess and surplus lines carriers.

Primary, or first layer General Liability coverage, continues to be rather stable with low, single-digit rate increases. Excess Liability, however, is much more unpredictable with most carriers looking for more substantial rate increases than primary layers. Carrier appetite in this area appears to be changing.

Auto liability and Auto Physical Damage coverages both continue to tighten. Carriers have been hit with a lot of losses in this area across the board. There are fewer and fewer options for monoline coverage in this area. Rate increases are in the 7% to 20% range.

Public Officials (including EPLI) is relatively stable and is seeing nominal increases. Federal claims continue to drive a lot of the losses in these coverages.

Sexual Molestation Liability (SML) coverage is almost non-existent at any price. It appears that less than a handful of carriers are offering stand-alone coverage; most out of Lloyds of London. Limits are being slashed, premiums are being increased at a very high rate and client retentions are soaring. Claims around the country in this area are rising at a very rapid pace which is driving the market.

Cyber Liability continues to be relatively stable and full of carrier offerings even though there has been a lot of news regarding the public sector and ransomware and cyber extortion. However, we expect that to change as the hacks continue to increase, especially in the public sector.

Conclusion

Our insurance carriers have said that this challenging market environment is not going away anytime soon. Our expectation is for the themes discussed in this update to continue into 2020. Despite these challenges, we have the expertise and solutions to help our clients reach the best outcome.

State of the Insurance Market

Industry Publications



Upward pricing predicted for most lines of business in 2019

By Joyce Anne Grabel May 10, 2019 at 01:00 PM

Property decisively up

Property market conditions have recently exhibited a decided firming, and buyers can expect across-the-board increases throughout 2019. Capital remains buoyant and capacity abundant with the exception of accounts with significant catastrophic exposures or losses; deployed capacity has tightened significantly on these renewals.

Tightened underwriting guidelines may restrict many coverage terms previously offered to buyers. In addition, sub-limits and deductibles are being looked at closely. Because negotiations and proposals are taking additional time, buyers should consult early and often with property advisors.

Casualty rate pressure increasing

NEWS RELEASE – FOR IMMEDIATE RELEASE

Contact: Robert Boyce
Director of Market Intelligence & Insights
202.662.4305
Robert.Boyce@ciab.com

COMMERCIAL PROPERTY/CASUALTY MARKET CONTINUED TO FIRM IN Q1 2019, ACCORDING TO CIAB SURVEY

WASHINGTON, D.C. — May 16, 2019 — The market continued to firm into the first quarter of 2019, marking the sixth consecutive quarter of increased premium pricing, according to The Council of Insurance Agents and Brokers' Q1 2019 Commercial Property/Casualty Market Survey results. Accounts of all sizes experienced rate increases in Q1, with an average increase of 3.5 percent. The report also observed increases in premiums for all lines of business (with the exception of Workers' Compensation), with Commercial Auto and Commercial Property both experiencing the largest hikes.

State of the Insurance Market

Insurance Publications



Key points

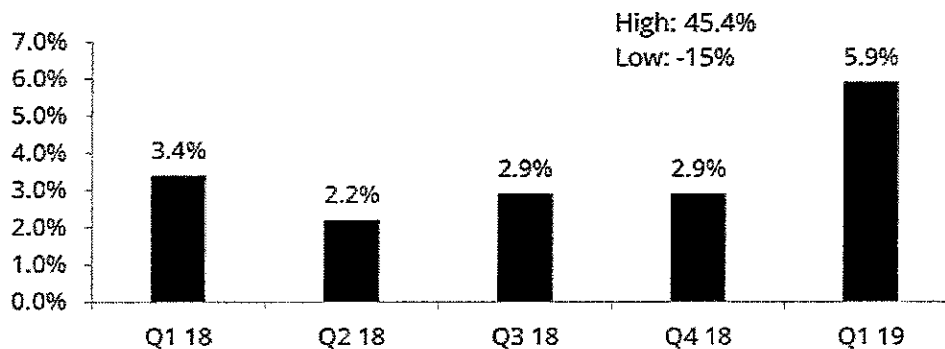
- London market seeing amplification of market forces from earlier in the year
- Average risk-adjusted rates up 20-25 percent, although significant variance by risk
- Absolute rate adequacy remains an issue despite year-on-year increases
- US property binders also experiencing rate increases and capacity challenges
- "Landslide" of new US business coming into London following US domestic withdrawal
- Expectation for rate increases to accelerate in Q4 and potentially continue to H1 2020

London market property D&F rate movements at key renewal dates

Date	Commentary
01-Apr-18	Pockets of rating spikes on loss-hit business against muted reaction on loss-free accounts. Loss-hit US business up 30%, Caribbean loss-hit 100%+, clean US and international accounts seeing 10% rate increases at most
01-Jun-18	Average rate increases in mid-to-high single digits. Distressed accounts such as US habitational and hospitality seeing larger increases, some as much as 100%
01-Jul-18	Increased orders into London market. Loss-free US accounts up 10%, loss-hit US accounts up 25%
01-Jan-19	Loss-free US accounts up 10%, loss-hit US accounts up 25% or higher
01-Apr-19	Average rate increases of 20%, loss-free US accounts up minimum 10%, some loss-hit up 25% or higher
01-Jun-19	Average rate increases of 20-25%, distressed accounts reporting 100% rises or higher. More new business into London and anticipation that rate momentum will continue through remainder of the year

*According to market intelligence gathered by *The Insurance Insider*
 Source: *The Insurance Insider*

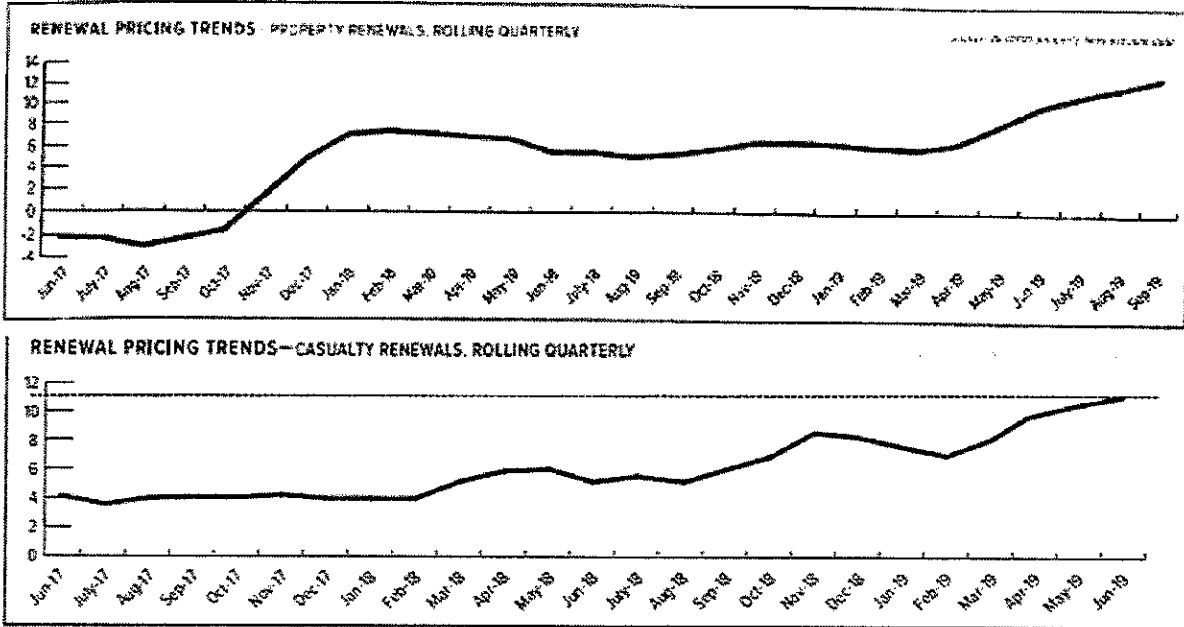
US commercial property quarterly rate increases



Source: CIAB, *The Insurance Insider*

State of the Insurance Market

Industry Publications



NEWS RELEASE - FOR IMMEDIATE RELEASE

Contact: Robert Boyce
 Director of Market Intelligence & Insights
 202.662.4305
Robert.Boyce@ciab.com

MARKET CONDITIONS CONTINUE TO HARDEN IN Q3 2019, ACCORDING TO CIAB MARKET SURVEY RESPONDENTS

WASHINGTON, D.C. — November 25, 2019 — The market continued to harden in Q3 2019, according to results from The Council of Insurance Agents & Brokers' Q3 Commercial Property/Casualty Market Survey. Many respondents agreed the market was transitioning from firm to hard. Premium pricing increased an average of 6.2% across all account sizes in Q3, compared to an increase of 5.2% in Q2 2019. When broken down by account size, responses showed large accounts were hit hardest, with a 7.6% average increase in premiums, compared to a 4.4% average increase for small accounts.

"After several quarters of market firming, we were in a truly unconventional hard market in Q3," said Ken A. Crerar, President/CEO of The Council. "Commercial Auto's outsized impact on premium prices and other lines such as Umbrella and D&O continued to push prices up. Social inflation and sustained natural catastrophe losses, including floods and wildfires, also added to the strain on the markets. The question now is how long will it last?"

State of the Insurance Market

Recent Email on Scaling Back Public Entity Property

[REDACTED]

Kevin,

We are dialing back our PE book and trying to diversify our large property book(it was mostly PE) due to some Hail losses but still would love to take a look at this one for you. I am familiar with this one so if you want to send it in and have me run some numbers to give you a ballpark I can do that. What is the AOP on this one as we may need a higher Wind/Hail deductible than they currently have. Let me know if you have any questions and my contact info is below.

Summary

- 2018, 2017 & 2016 had 45 separate \$1 Billion+ loss events
 - 3 year average of 15 events (highest on record)
 - Well above 6.2 event inflation adjusted average for 1980-2018
 - California wildfires (e.g., City of Paradise, CA literally leveled- single locality losses approaching \$10B)
 - Midwest convective storms (\$15B + and 11th straight major industry impact year for such storms)
 - 500+ tornado touch downs in May 2019
 - Worst flooding in the Midwest in more than 25 years
 - Hail and other attritional losses hurting underwriting results
- 2017 worst catastrophe year ever
- 2018 4th worst catastrophe year
- Capacity being pulled back; terms tightening
- Property has taken a quick turn with market capacity starting to be pulled back; terms tightening ²
 - AIG, FM Global, Swiss Re, and Zurich changes to UW approach on large property
 - little opportunistic behavior to fill the void
 - loss free accounts up minimum 10%; loss hit 25%+
- Automobile not profitable for years
- Umbrella/Excess Liability also starting to change
 - Capacity being cut back, attachments increased, and rates increasing
 - Variation by industry, client specific loss experience, and legal jurisdiction
- Submission flow up
 - Requires referrals/approvals before releasing quotes
 - Requires more time