

MEMORANDUM

To: Mayor and City Council

From: Christopher Pike, Finance Director

Date: May 08, 2017

Subject: **Authorization to approve expenditure of \$371,054 to Travelers Property & Casualty Insurance**

ITEM DESCRIPTION

To approve acceptance of a policy and authorize the expenditure to Travelers Insurance to cover premiums for property, casualty and liability insurance.

BACKGROUND

Since incorporation, the City has utilized GMA's insurance program with GIRMA to manage our liability and property risks. The GIRMA program is a good program and has served the City with a good level of service over the years. More importantly, it provided coverage to the City that was not available through the private market. Initially, coverage through private carriers was not available. To get coverage through GIRMA, we had to agree to stay with them for a set number of years. That time expired a few years ago, but our risk exposure history was still very limited and the market did not support a competitive quote.

Over time, our exposure has gotten more predictable. At this point, we now operate in a situation where GIRMA and the private market are becoming more competitive. The opportunity exists where private coverage is more affordable than GIRMA.

ISSUES

Though we have good service with GIRMA, the rates now support a better alternative. Following our Purchasing Policy the City received a proposal from Travelers Insurance that provides higher liability limits and/or lower liability levels on almost all lines of coverage. Furthermore, private coverage now removes the joint liability we share with other governments in the event of a major disaster. Though this has not ever happened as GIRMA maintains sufficient reserves, it was always a known risk we had to accept. Also, our policy with GIRMA does not allow us to provide "additional insured" coverage to third parties. That is because our risks are also shared with the other governments. Providing third party coverage would extend that risk to other governments in the program. From time-to-time, it would be beneficial to have this option. In one case, we actually are required to purchase a small insurance policy every year to provide additional insured coverage because GIRMA will not do so. The switch to Travelers will allow us to cancel that policy, receive a refund, and no longer continue that coverage in the future.

The rate received from Travelers is over \$40,000 less than the GIRMA rate. It comes with

double the liability coverage (from \$3 million to \$6 million). Most property coverage remains the same. However, flood and earthquake coverage drops from \$10 million with GIRMA to \$5 million with this policy. We are working with our broker to determine if we can add coverage limits with Travelers or if we need to obtain a separate policy to bridge the gap. Given this only applies to earthquake and flood though, the risk is minimal and from a cost-benefit standpoint, also acceptable. Our law enforcement and general liability remains at \$10,000 but the vehicle liability drops from \$1000 to \$0. This will add to our annual savings given past claims history.

ALTERNATIVES

Council may choose to reject staff's recommendation and remain with GIRMA. GIRMA has provided good service to the City and this is mainly a cost-driven decision. The City would forfeit the savings under this scenario. Staff's recommendation comes after diligently checking with other cities using Traveler's to reach a confidence we will continue to receive the great level of service, or better, than we currently receive.

RECOMMENDED ACTION

Staff recommends Council authorize the payment to Traveler's Insurance for the purchase of property, casualty and liability insurance coverage.

**City of Dunwoody - Travelers Insurance
Insurance Proposal 2017-2018**

Line of Coverage	Annual Premium	GMA Premium
General Liability	\$ 77,747.00	\$ 73,631.00
Law Enforcement Liability	\$ 66,685.00	\$ 151,287.00
Public Officials Liability	\$ 15,804.00	\$ 62,139.00
Automobile Liability	\$ 88,410.00	\$ 58,031.00
Automobile Physical Damage	\$ 29,790.00	\$ 31,740.00
Property - Building & Contents	\$ 39,797.00	\$ 30,798.00
Mobile Equipment	\$ 844.00	\$ 94.00
Police Animal Mortality	\$ -	\$ -
Crime/Fidelity	\$ 1,708.00	\$ 1,801.00
Equipment Breakdown	included	\$ 4,445.00
Umbrella Excess Liability	\$ 50,269.00	\$ -
Total	\$ 371,054.00	\$ 413,966.00

This premium proposal includes the following changes from the previously presented proposal

Public Entity Management Liability Options
Occurrence coverage form \$ 15,804.00

Employment Related Practices Liability Options
Occurrence coverage form - including 3rd party sexual harrasment \$ 16,943.00

Law Enforcement Liability with \$10,000 deductible



Partners Risk Services