



TO: Jim Gray, Mayor  
 Members, Urban County Council  
 Sally Hamilton, CAO

FROM: ***Patrick R. Johnston***  
 Patrick R. Johnston, Director  
 Division of Risk Management

DATE: May 24, 2017

RE: **FY 2018 Excess Property & Casualty Insurance Renewals**  
 Aviation, Excess Retained Limit Liability (AL/GL/POL,LE), Excess Property, Cyber Liability,  
 Pollution Liability and Excess Workers' Compensation

The current excess insurance policies listed in the "Policy" Column in Table I below will expire at midnight on June 30, 2017.

The policies listed in Table 1 have been recommended for renewal by LFUCG's broker J SMITH LANIER & CO- LEXINGTON/Powell Walton Milward. More specifically, J Smith Lanier & Co is recommending Proposal #2 for Excess Liability.

Table 1

FY 2018 - LFUCG Excess Property & Casualty Proposals					
Policy	FY 2017 Broker/Carrier	FY 2017 Premium + Surcharges	FY 2018 Broker/Carrier Recommended	FY 2018 Premium + Surcharges	Increase/ Decrease +/(-)
Aviation Liability & Hull Damage (Police Helicopters)	J SMITH LANIER & CO LEXINGTON/Powell Walton Milward/ Old Republic Insurance Company	\$29,162.00	J SMITH LANIER & CO LEXINGTON/Powell Walton Milward/ Old Republic Insurance Company	\$28,962.00	(<1%)
Proposal #1 for Retained Limit Liability GL/POL/AL/LE	J SMITH LANIER & CO LEXINGTON/Powell Walton Milward/American Alternative Insurance - Munich Re	\$542,544.00	J SMITH LANIER & CO LEXINGTON/Powell Walton Milward/American Alternative Insurance - Munich Re	\$480,600.00	(11%)
Proposal #2 for Retained Limit Liability GL/POL/AL/LE	N/A	N/A	J SMITH LANIER & CO LEXINGTON/Powell Walton Milward/Safety National	\$487,973.00 (See Premium Summary – Optional Quote)	(10%)



<b>Property</b>	J SMITH LANIER & CO LEXINGTON/Powell Walton Milward/ Affiliated Factory Mutual (FM)	<b>\$328,600.00</b>	J SMITH LANIER & CO LEXINGTON/Powell Walton Milward/ Affiliated Factory Mutual (FM)	<b>\$318,431.15</b>	<b>(3.00%)</b>
<b>Cyber Liability</b>	J SMITH LANIER & CO LEXINGTON/ Powell Walton Milward/ National Union Fire Insurance Company of Pittsburg, PA	<b>\$28,684.00</b>	J SMITH LANIER & CO LEXINGTON/ Powell Walton Milward/ National Union Fire Insurance Company of Pittsburg, PA	<b>\$28,563.00</b>	<b>(&lt;1%)</b>
<b>Pollution Legal Liability</b>	J SMITH LANIER & CO LEXINGTON/ Powell Walton Milward/ AIG Specialty Insurance Company	<b>\$18,035.13</b>	J SMITH LANIER & CO LEXINGTON/ Powell Walton Milward/ AIG Specialty Insurance Company	<b>\$17,912.77</b>	<b>(&lt;1%)</b>
<b>Workers' Compensation</b>	J SMITH LANIER & CO LEXINGTON/ Powell Walton Milward/ Safety National Casualty Corporation	<b>\$344,938.00</b>	J SMITH LANIER & CO LEXINGTON/ Powell Walton Milward/ Safety National Casualty Corporation	<b>\$404,958.00</b>	<b>+17.4%</b>
<b>Totals</b>		<b>\$1,291,963.26</b>	w/GL Proposal #1 w/GL Proposal #2	<b>\$1,279,426.92</b> <b>\$1,286,799.92</b>	<b>(&lt;1%)</b> <b>(&lt;1%)</b>

The recommended Insurance Policies represent **\$1,279,426.92 (Proposal #1)** or **\$1,286,799.92 (Proposal #2)** in premiums for FY 2018. This is a decrease of **\$ 12,536 (Proposal #1)** or **\$5163.00 (Proposal #2)** or **(<1%)** compared to FY 2017 premiums.

The following Self-Insured Retentions, Deductibles, and Limits apply as noted in **Table 2**.

**Table 2**

<b>Policy</b>	<b>Self-Insured Retention/Deductibles/Limits</b>
Aviation Liability	\$20,000,000 Combined Single Liability Limit for two Police helicopters with single and aggregate medical limits of \$10,000 and \$40,000 respectively.
Aviation Hull Damage	\$0.00 Not in Motion; 1% (\$8760.00) of hull/equipment value (\$876,000)
Liability (Auto/General/Public Officials/Law Enforcement)	<b>Proposal #1: Same self-insured retention and same excess limits of \$5 million as FY 2017.</b> <b>Proposal #2: \$1,500,000 Self-Insured Retention (SIR) per occurrence; a decrease of \$500,000 per occurrence compared to FY 2017. \$10mil occurrence/\$12 million aggregate limits; an increase of \$5/\$7 million compared to FY 2017.</b> <b>(Proposal #2 for Liability Recommended)</b>
Cyber Liability	\$100k deductible with \$2million Limits
Pollution Liability	\$75k deductible with \$1million Limits
Property (Buildings, Contents, Boiler & Machinery, Property in the Open, Vehicles, Animals)	\$250,000 Deductible per occurrence with various sub-limits for flood, earthquakes and auto property damage with a \$500,000,000 all perils limit per occurrence.
Workers' Compensation (LFUCG Employees)	\$1,000,000 Self-Insured Retention (SIR) per occurrence.

The funds for insurance premiums are included in the proposed FY 2018 budget – Property & Casualty Insurance Premiums Account, **Table 3** as estimated by the Division of Accounting and Budgeting.

**Table 3**

<b>Fund</b>	<b>Cost Allocation %</b>	<b>Premium Proposal #1</b>	<b>Allocation By Fund - \$ Proposal #1</b>	<b>Premium Proposal #2</b>	<b>Allocation By Fund-\$ Proposal #2</b>
1101-XXXXXX-XXXX-73101	73.5%	\$1,279,426.92	\$940,378.79	\$1,286,799.92	\$945,797.94
1115-XXXXXX-XXXX-73101	6.5%	\$1,279,426.92	\$83,162.75	\$1,286,799.92	\$83,641.99
4002-XXXXXX-XXXX-73101	19.8%	\$1,279,426.92	\$253,326.53	\$1,286,799.92	\$254,786.38
4051-XXXXXX-XXXX-73101	0.2%	\$1,279,426.92	\$2,558.85	\$1,286,799.92	\$2,573.61

Your approval is respectfully requested for authorization to bind coverage with the recommended insurance carriers.

Cc: Glenn Brown, Deputy CAO  
 Janet Graham, Commissioner – Department of Law  
 Todd Slatin, Director – Division of Purchasing  
 Cecily Chan, Accountant Senior – Division of Accounting  
 Faye Clark, Risk Management Accountant – Division of Accounting  
 Lutcher Sinclair, Risk Management Analyst – Division of Risk Management – Department CAO

ATTACHMENTS (7) – Listed Policies from Table 1

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## Patrick Johnston

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**From:** Lutcher Sinclair  
**Sent:** Monday, May 22, 2017 1:50 PM  
**To:** Patrick Johnston  
**Cc:** Nathan Reihmer  
**Subject:** LFUCG- PWM Excess Insurance Renewals

Patrick: After conducting a comparison, in conjunction with RM Intern Nathan Reihmer, we completed a Matrix from the two quotes and clarified several coverage inquiries with the U/W & Broker. All of the questions were answered satisfactory by email. You should have copies of all correspondence related to our analysis. As a result of all of this, please be advised that it is our recommendation that the Safety National Program should be accepted over the expiring Munich Re coverage. The lower retention limit, along with the additional excess limits offered, made the Safety National quotation too attractive to advise acceptance otherwise. If you have any questions, don't hesitate to contact us.

W. Lutcher Sinclair-Risk Management Analyst  
200 East Main Street #1045  
Lexington, Ky 40507  
(859) 258-3196  
[lsinclair@lexingtonky.gov](mailto:lsinclair@lexingtonky.gov)

## Patrick Johnston

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**From:** Kelly, Kevin <kkelly@jsmithlanier.com>  
**Sent:** Tuesday, May 23, 2017 2:02 PM  
**To:** Patrick Johnston  
**Subject:** Liability insurer placement

[EXTERNAL] Use caution before clicking links and/or opening attachments.

Patrick, LFUCG has two competitive premium quotes for the renewal of the liability, one from your current carrier Munich Re and one from Safety National. We have provided you with a comparison of the forms/policies. While the language is not identical, we are comfortable that Safety National is providing comparable coverage and is a financially sound company. They are also currently Insuring the workers compensation for LFUCG. The overwhelming advantage of placing your coverage with Safety National is that the city will reduce its retention to 1,500,000 from 2,000,000, a 500,000 reduction and will increase coverage to 10,000,000 per occurrence, an increase of 5,000,000. Therefore I would agree this is the right decision. Let us know if you have any questions. Thanks Kevin

**Kevin Kelly** CPCU  
J Smith Lanier & Co a  
**Marsh & McLennan Agency LLC** company  
360 E Vine Street Suite #200 Lexington, KY 40507  
859-244-7609 T; 859-254-8020 F; 859-533-2154 C