



Lexington-Fayette Urban County Government
DEPARTMENT OF CHIEF ADMINISTRATIVE OFFICER

Jim Gray
Mayor

Richard Moloney
Chief Administrative Officer

TO: Jim Gray, Mayor
Members, Urban County Council
Richard Moloney, CAO

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

DATE: May 25, 2012

RE: **FY 2013 Property & Casualty Insurance Renewals**
Excess Workers' Compensation, Property, Liability, Aviation, Self-Insured Auto No-Fault
Bond & International

The current excess insurance policies listed above expire at midnight on June 30, 2012.

The Division of Risk Management prepared RFP's for Workers' Compensation and Property that have been previously reviewed by the State Auditor's Office as advised by the Department of Law. The Liability policies were not marketed due to stipulations in FY 2012 RFP's that allowed a three year renewal. The current Liability broker is Lexington based and the Workers' Compensation and Property broker is California based. The Aviation, Auto No-Fault Bond and International Policies were marketed with the same broker providing the excess Liability coverage resulting in substantial savings over FY 2012 premiums as noted in Table 1.

A Selection Committee met on May 23, 2012 with representatives from Purchasing (1), Law (1), CAO-Mayor's Office (1), Risk Management (2) and the retired Deputy Commissioner from the Kentucky Bureau of Workers Compensation.

The following Table represents the policy, broker, expiring premium and FY 2013 premium, surcharges, fees and taxes. The bolded numbers represent the Selection Committee recommendations.

Table 1

Policy	Broker/Carrier	FY 2012 Expiring Premium	Broker/Carrier	FY 2013 Premium + Surcharges	Difference
Aviation (No RFP, <\$20K requirement)	Hylant Group/ Phoenix Aviation	\$8054.00	Powell Walton Milward/ Phoenix Aviation	\$4581.00	-\$3473.00 -43%
International (No RFP, <\$20K requirement)	KLC	\$4060.00	Powell Walton Milward/ Great Northern Insurance Company	\$3250.00	-\$810.00 -20%
Liability – GL/POL/AL/LE (No RFP, exercised 3 yr option)	Powell Walton Milward/ National Casualty Company	\$460,955.49	Powell Walton Milward/ National Casualty Company Genesis	\$460,955.49 \$717,000.00	\$0.00
Property (RFP #13-2012)	Alliant	\$267,038.00	-Alliant/PEPIP - PWM/ Factory Mutual Affiliate	\$274,822.00 \$402,904.47	+\$7784.00 +3% +\$135,866.47

			-Wells Fargo/ Travelers	\$394,487.00	+\$127,449.00
Self-Insured Auto No-Fault Bond (No RFP, <\$20K requirement)	KLC	\$3,054.00	Powell Walton Milward/ International Fidelity Insurance Company	\$2,545.00	-\$509.00 -17%
Workers' Compensation (RFP #12-2012)	Alliant/ New York Marine and General Insurance Company	\$303,672.00	Alliant/ New York Marine and General Insurance Company	\$351,018.00	+\$47,346.00 +16%

The recommended Insurance Policies represent **\$1,097,171.49** in premiums for FY 2013. This is an increase of **\$50,338.49** which is budgeted for in the FY 2013 Property & Casualty Premiums budget. Providing the payroll does not exceed the budgeted amount for FY 2013, the LFUCG will receive a premium refund for Workers' Compensation of approximately **\$36,000** after a payroll audit by the carrier. Additionally, once the garages are transferred to the Parking Authority, Property premiums are expected to decrease by approximately **\$7000** providing transfers are completed by July 1. This would result in a net premium increase for FY 2013 of only **\$7,338.49** versus the quoted **\$50,338.49**.

All three brokers approached various (7) Workers' Compensation Carriers. The Liability broker approached four (4) additional carriers including the incumbent. Two (2) Liability carriers provided bids. The incumbent carrier for Workers' Compensation was the only carrier to provide a bid. The remainder Workers' Compensation carriers declined for various reasons.

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

Table 2

Policy	Self-Insured Retention/Deductibles/Limits
Aviation	\$20,000,000 Combined Single Liability Limit for one Police helicopter with single and aggregate medical limits of \$10,000 and \$40,000 respectively.
International Travel Liability	\$2,000,000 General Aggregate, \$1,000,000 limit per occurrence with varying sub-limits for crime, accidents, kidnap/ransom, etc. and varying deductibles based on the peril.
Liability	\$2,000,000 Self-Insured Retention (SIR) per occurrence, \$5 million limits
Property	\$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.
Self-Insured Auto No-Fault Bond	\$200,000 Oblige Bond Amount
Workers' Compensation	\$750,000 Self-Insured Retention (SIR) per occurrence with a \$250,000 corridor deductible. Statutory limits.

The funds for insurance premiums are included in the proposed FY 2013 budget – General Insurance Account, Table 3.

Table 3

Fund	Cost Allocation	Premium	Allocation
1101-XXXXXX-XXXX-73101	81%	\$1,097,171.49	\$888,708.91
1115-XXXXXX-XXXX-73101	8%	\$1,097,171.49	\$87,773.72
4002-XXXXXX-XXXX-73101	11%	\$1,097,171.49	\$120,688.86

If Council would like a workshop on marketing efforts, please advise me.

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

Cc: Janet Graham, Commissioner – Department of Law
Thomas Sweeney, Claims Manager – Department of Law
Lutcher Sinclair, Risk Management Analyst – Division of Risk Management – Department CAO