

# T.E. BRENNAN COMPANY

330 S. Executive Drive • Suite 301 • Brookfield, WI 53005-4275



November 24, 2015

Mr. Stephen Matty  
City Attorney  
City of LaCrosse  
400 LaCrosse Street  
LaCrosse, WI 54601

Re: Property Insurance Marketing  
January 1, 2016

Dear Stephen:

Attached you will find our property comparison document for your review. Exhibit 1 shows a summary of the property premium for January 1, 2016 as compared to January 1, 2015. Exhibit 2 has a more detailed comparison of the various property quotes including coverages, limits, deductibles and rates. Exhibit 3 has some coverage options for your consideration and Exhibit 4 is a summary of losses. We were not able to get the Zurich equipment breakdown loss runs as of yet, so we have provided last year's numbers. These are foot-noted.

## Property

Due to the substantial premium increase from the Local Government Property Insurance Fund (LGPIF), it was decided to market the property.

The LGPIF offered a renewal with terms and conditions per expiring at a total price of \$428,098, including auto physical damage. Per the expiring policy, the auto physical damage includes comprehensive coverage for all vehicles and collision coverage for only police and fire.

The Municipal Property Insurance Company's (MPIC) offering is substantially similar to the LGPIF coverage for all but the auto physical damage. MPIC does not offer this coverage, so a separate quote has been provided from Integrity. Their auto physical damage quote is for comprehensive and collision on all vehicles.

Chubb has offered a competitive quote that is quite different from either the LGPIF or MPIC. We have included some of the major items of coverage on Exhibit 2 for your review. Chubb does not sublimit ordinance or law coverage. In most other cases, other sublimits are similar to the LGPIF or MPIC, but a few are not. We do not see any differences which are substantial other than for extra expense and surface water/flood.

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Two important components of a broad property insurance program are extra expense and business interruption. Extra expense pays for those additional expenses the City would incur to keep departments running if the building in which they are housed cannot be inhabited due to a covered cause of loss. Business interruption pays for loss of revenue from a location that is unusable due to a covered cause of loss. With the LGPIF, you have extra expense, but you do not have business interruption.

Both the LGPIF and MPIC provide \$5,000,000 in total extra expense coverage. For extra expense, Chubb only provides \$100,000, but it applies per location. However, they have quoted business interruption (BI) for those locations where business interruption worksheets were provided. For those locations with business interruption coverage, Chubb provides a blanket limit which includes extra expense. The \$100,000 limit for extra expense would then apply to all other locations, per location. If higher extra expense limits are needed for other individual locations, that can be added to the policy once the exposures are determined. In addition to the BI worksheets previously provided, Chubb also included a limit of \$500,000 for the Riverside Parking Ramp. The quote for this additional coverage, based on the current BI worksheets and the Riverside Parking Ramp is \$7,402. This option appears on Exhibit 3.

For surface water and flood, the three policies all differ. The LGPIF continues to exclude flood and only provide surface water runoff at \$1,500,000. The MPIC quote provides limited flood coverage (which would include surface water runoff) at \$1,500,000 per location for those locations not in a flood plain. They have not provided a listing of those locations where flood coverage would not be available. The Chubb quote includes flood (including surface water runoff and sewer backup) for all locations. Different limits and deductibles apply to different locations depending the flood zone for each location. Coverage is summarized as follows:

- 31 locations at \$1,500,000 with a \$250,000 deductible
- 27 locations at \$2,500,000 with a \$100,000 deductible
- 23 locations at \$5,000,000 with a \$50,000 deductible
- 34 locations with flood at full policy limits with a \$5,000 deductible

While the deductibles are higher for many of the locations, all locations are included for a limit at least as high as MPIC.

EMC offered a pricing indication, but because it was substantially higher than either MPIC or Chubb, we did not have them firm it up or do any review of coverages. These estimates appear on Exhibit 3.

### **Equipment Breakdown**

Your Liberty renewal has the same terms and conditions with one change. There is no longer a sublimit for utility interruption. Utility interruption is now covered up to the \$100,000,000 policy limit.

If you were to stay with the LGPIF or move to MPIC, this policy would be renewed. The Liberty premium is less than the premium quoted by Chubb for this coverage, but the Chubb quote does not contain any sublimits. If the peril is covered by the Chubb policy, then it is up to the policy limit. We need to review the Chubb form to determine specific coverage differences. If you decide to move your property coverage to Chubb and choose to move the equipment breakdown coverage as well, we will obtain and review that information before binding.

Note the deductible with Liberty remains at \$2,500 while the deductible for Chubb is \$5,000.

### **Auto Physical Damage**

In the case of partial damage to a vehicle, repairs would be made based on like kind and quality of parts to bring the vehicle back to usefulness.

The policies differ slightly with regard to when a vehicle is considered "totaled." In those cases, the LGPIF would replace the vehicle with a similar new vehicle.

The Integrity quote also provides replacement with a similar new vehicle. Note that Integrity has not offered an option of insuring only police and fire vehicles for collision. Their quote includes collision for all vehicles. The deductible for both comprehensive and collision is \$5,000.

In the case of Allied World, coverage is provided on an Agreed Value basis. This means that the insurance company and you agree on a value for each specific vehicle. If the vehicle is totaled, you receive that amount of money toward a replacement vehicle. Thus, receiving an adequate amount of money to actually replace a vehicle with a new one of the same type and function means the value agreed upon must be adequate to actually purchase a new vehicle. If you choose this option, reviewing the values to make sure they are adequate becomes part of the renewal process each year.

Allied World has provided you a choice of two quotes. The first is for comprehensive on all vehicles and collision on just police and fire vehicles. This quote is \$85,108 including surplus lines tax. This quote is at a \$2,500 deductible; however note there is a \$25,000 deductible for collision for any vehicle valued at more than \$250,000.

If you choose to insure all vehicles for collision, the rate decreases slightly and the total premium becomes \$105,362. Also, the higher deductible for vehicles valued at more than \$250,000 would not apply.

Both of the Allied World quotes have a \$10,000,000 catastrophe limit.

Total premiums are summarized on Exhibit 1 for other than EMC. The EMC premium estimates appear on Exhibit 3.

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We recommend the Chubb property option and the Liberty equipment breakdown renewal.

As for the auto physical damage, we believe it remains the intent of the City to provide collision coverage for police and fire vehicles only. If that is the case, we recommend the Allied World option. If there is interest in providing collision coverage for all vehicles, each quote has an advantage. The Integrity quote provides replacement cost with a \$5,000 deductible at a premium of \$104,838, the advantage being replacement cost coverage. The Allied World quote provides agreed value with a \$2,500 deductible at a premium of \$105,362 (\$85,108+20,254). If you choose to insure all vehicles for collision with Allied World, they will remove the deductible of \$25,000 for vehicles over \$250,000. The advantage here is the lower deductible of \$2,500.

*Note that leaving the LGPIF requires a board resolution. This must be done and the attached form completed and submitted to the LGPIF before January 1, 2016.*

Once you have had an opportunity to review this material, please let us know if you have any questions or if you would like to discuss any of these items further.

Yours very cordially,

T.E. BRENNAN COMPANY

*Arlene Petersen*

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Enclosures

**CITY OF LACROSSE**

**RENEWAL COMPARISON  
PROPERTY INSURANCE**

**JANUARY 1, 2016**

**CITY OF LACROSSE  
NET PREMIUM COMPARISON  
JANUARY 1, 2016**

	2015/2016	2016/2017			
	LGPIF/ Liberty/ LGPIF	LGPIF/ Liberty/ LGPIF	MPIC/ Liberty/ Integrity	Chubb/ Chubb/ Allied World	Recommended: Chubb/ Liberty/ Allied World
<b>Real and Personal Property</b>	\$185,274	\$340,575	\$212,379	\$200,972	\$200,972
<b>Contractors Equipment</b>	28,489	29,751	26,745	Incl.	Incl.
<b>Monies and Securities</b>	1,822	1,822	1,822	Incl.	Incl.
<b>Equipment Breakdown</b>	14,220	15,078	15,078	19,487	15,078
<b>Auto Physical Damage</b>	<u>41,333</u>	<u>55,950</u>	<u>104,838</u>	<u>85,108</u>	<u>85,108</u>
<b>Total</b>	<b>\$271,138</b>	<b>\$443,176</b>	<b>\$360,862</b>	<b>\$305,567</b>	<b>\$301,158</b>

**CITY OF LACROSSE  
PROPERTY RENEWALS  
LIMITS/RATING BASE COMPARISON  
JANUARY 1, 2016**

	2015/2016		2016/2017	
	LGPIF/ Liberty	LGPIF/ Liberty	MPIC/ Liberty	Chubb/ Chubb
<b>Property</b>	<b>(LGPIF)</b>	<b>(LGPIF)</b>	<b>(MPIC)</b>	<b>(Chubb)</b>
Total Values	\$308,068,781	\$328,547,205	\$328,547,205	\$330,955,289
Deductible (no aggregate)	5,000	5,000	5,000	5,000
Rate Per \$100 of Property Value	.0601	.1037	.0646	.0607
Valuation	Replacement	Replacement	Replacement	Replacement
Agreed Value Policy	Yes	Yes	Yes	Yes
Ordinance or Law	\$2,000,000	\$2,000,000	\$2,000,000	Incl.
Flood	NA	NA	1,500,000 all locations not in flood plain	\$1,500,000 to 5,000,000 by location
Surface Water Run-off	1,500,000	1,500,000	Incl in flood	Incl in flood
Sewer Backup	Within bldg	Within bldg	Within bldg	Incl in flood
Extra Expense	5,000,000	5,000,000	5,000,000	\$100,000 per location <sup>(1)</sup>
Debris Removal	Policy Limit	Policy Limit	Policy Limit	25% of loss plus \$100,000
Pollutant Clean-up or Removal	10,000/50,000	10,000/50,000	10,000/50,000	25,000
Fungus, Wet or Dry Rot, Bacteria	15,000/50,000	15,000/50,000	15,000/50,000	25,000
Valuable Papers and Records	Unlimited	Unlimited	Unlimited	250,000
Unscheduled Locations	\$2,000,000	\$2,000,000	\$250,000	1,000,000
Newly Acquired Property				
Automatic	500,000	500,000	500,000	\$2,500,000 – B 1,000,000 – C
Time Limited	Over 500,000 (90 days)	Over 500,000 (90 days)	Over 500,000 (60 days)	Over above (180 days)
<b>Contractors Equipment</b>				
Total Values	\$15,915,683	\$16,620,786	\$14,941,181	\$16,791,298
Deductible	500	500	500	1,000
Valuation	Replacement	Replacement	Replacement	Replacement
Rate Per \$100 of Value	.1790	.1790	.1790	.0607
<b>Monies and Securities</b>				
Treasurer Office*	\$50,000	\$50,000	\$50,000	\$50,000
Municipal Service Center	3,000	3,000	3,000	\$50,000
LaCrosse Center	50,000	50,000	50,000	\$50,000
* 2 times during year	750,000	750,000	750,000	Can purchase
* 5 times during year	1,450,000	1,450,000	1,450,000	Can purchase
Each Location (all other)	NA	NA	NA	50,000

<sup>(1)</sup> See Exhibit 3 for alternate quote at higher limit.

**CITY OF LACROSSE  
PROPERTY RENEWALS  
LIMITS/RATING BASE COMPARISON  
JANUARY 1, 2016**

	2015/2016		2016/2017	
	LGPIF/ Liberty	LGPIF/ Liberty	MPIC/ Liberty	Chubb/ Chubb
<b>Equipment Breakdown</b>	<b>(Liberty)</b>	<b>(Liberty)</b>	<b>(Liberty)</b>	<b>(Chubb)</b>
Limits:				
Direct Damage/Extra Expense	\$100,000,000	\$100,000,000	\$100,000,000	Incl.
Ordinance or Law	5,000,000	5,000,000	5,000,000	
Expediting Expense	Incl.	Incl.	Incl.	
Hazardous Substance	2,500,000	2,500,000	2,500,000	
Ammonia Contamination	Incl.	Incl.	Incl.	
Electronic Data or Media	5,000,000	5,000,000	5,000,000	
Fungus, Wet/Dry Rot	15,000	15,000	15,000	
Utility Interruption	1,000,000	Incl.	Incl.	
Spoilage	Incl.	Incl.	Incl.	
Safety/Efficiency Improvements	125%	125%	125%	
Valuation	Repair or Replacement	Repair or Replacement	Repair or Replacement	Repair or Replacement
Deductible - Combined	2,500	2,500	2,500	5,000
<b>Automobile Physical Damage</b>	<b>(LGPIF)</b>	<b>(LGPIF)</b>	<b>(Integrity)</b>	<b>(Allied World)</b>
Deductibles:				
Comprehensive	\$5,000 (all vehicles)	\$5,000 (all vehicles)	\$5,000 (all vehicles)	\$2,500 <sup>(1)</sup> (all vehicles)
Collision	5,000 (fire/police only)	5,000 (fire/police only)	5,000 (all vehicles)	2,500 <sup>(1)(2)</sup> (fire/police only)
Group 1 Values – Fire/Police only	1,420,906	1,420,906		5,009,622
– All Vehicles	3,950,884	3,950,884		18,598,795
Group 2 Values – Fire/Police only	3,588,716	3,588,716		NA
– All Vehicles	14,647,911	14,647,911		NA
Total Values Insured	18,598,795	18,598,795	19,121,677	18,598,795
Valuation	Replacement	Replacement	Replacement	Agreed Value

<sup>(1)</sup> Catastrophe limit of \$10,000,000 applies.

<sup>(2)</sup> Vehicles over \$250,000 in value have a \$25,000 deductible.



**CITY OF LACROSSE  
PROPERTY AND LIABILITY INSURANCE RENEWALS  
ALTERNATES  
JANUARY 1, 2016**

	2016/2017
<b>Auto Physical Damage</b>	
1. Place with Allied World (values \$18,598,795 – Agreed Value - \$2,500 deductible) Comprehensive and Collision – all vehicles Catastrophe limit - \$10,000,000	+ 20,254
2. Add terrorism to Allied World quote	+ 1,132
<b>Chubb Property Quote</b>	
3. Add Business Interruption at \$7,183,038	+ 7,402
<b>EMC Property Premium Indication</b>	
4. Property - \$10,000 deductible including equipment breakdown	270,000
5. Contractors equipment - \$1,000 deductible	41,000
6. Crime - \$1,000,000 - \$10,000 deductible	8,500
7. Auto physical damage – RC for emergency vehicles; all others ACV; \$3,000 deductible comprehensive and collision	108,000
EMC IndicationTotal	\$427,500

**CITY OF LACROSSE  
LOSS HISTORY  
JANUARY 1, 2016**

<b>Property</b>						
<b>Year</b>	<b>Insurer</b>	<b>No. of Claims</b>	<b>No. of Open Claims</b>	<b>Paid</b>	<b>Reserved</b>	<b>Total</b>
1/1/10 - 11	LGPIF	5	0	\$153,656	0	\$153,656
1/1/11 - 12	LGPIF	5	0	419,401	0	419,401
1/1/12 - 13	LGPIF	4	0	9,792	0	9,792
1/1/13 - 14	LGPIF	2	0	903	0	903
1/1/14 - 15	LGPIF	4	0	16,363	0	16,363
1/1/15 - 16	LGPIF	0	0	0	0	0
<b>Equipment Breakdown</b>						
<b>Year</b>	<b>Insurer</b>	<b>No. of Claims</b>	<b>No. of Open Claims</b>	<b>Paid</b>	<b>Reserved</b>	<b>Total</b>
1/1/10 - 11	Zurich <sup>(1)</sup>					
1/1/11 - 12	Zurich <sup>(1)</sup>					
1/1/12 - 13	Zurich <sup>(1)</sup>					
1/1/13 - 14	Zurich <sup>(1)</sup>					
1/1/14 - 15	CNA	0	0	0	0	0
1/1/15 - 16	Liberty	0	0	0	0	0
<b>Automobile Physical Damage</b>						
<b>Year</b>	<b>Insurer</b>	<b>No. of Claims</b>	<b>No. of Open Claims</b>	<b>Paid</b>	<b>Reserved</b>	<b>Total</b>
1/1/10 - 11	LGPIF	0	0	0	0	0
1/1/11 - 12	LGPIF	0	0	0	0	0
1/1/12 - 13	LGPIF	1	0	\$ 7,748	0	\$ 7,748
1/1/13 - 14	LGPIF	0	0	0	0	0
1/1/14 - 15	LGPIF	2	0	30,894	0	30,894
1/1/15 - 16	LGPIF	0	0	0	0	0

<sup>(1)</sup> Currently valued loss runs not received.