

T.E. BRENNAN COMPANY

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



December 2, 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 revised property comparison document for your review. This has been revised based on additional information received from MPIC, Integrity, Chubb and Allied World. Also, certain other issues brought to our attention have been addressed.

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 (see below and attached) 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.

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In most other cases, Chubb's sublimits are similar to the LGPIF or MPIC. However, Please note the following:

- Chubb does not sublimit ordinance or law coverage; MPIC's sublimit is \$2,000,000.
- Chubb includes builders risk coverage with no sublimit; MPIC's sublimit is \$1,000,000.
- Chubb includes asbestos removal and abatement with no sublimit; MPIC's sublimit is \$100,000.
- Chubb includes unscheduled contractors equipment with no sublimit; MPIC's sublimit is \$25,000.
- Chubb includes monies and securities coverage at ALL locations for \$50,000 each; MPIC's quote is for \$3,000 at the Municipal Service Center, \$50,000 at the LaCrosse Center and \$50,000 (with higher limits at 7 times during the year) at the Treasurer's Office. No other locations have monies and securities coverage under the MPIC quote. Chubb has offered to quote these higher limits, but needs additional underwriting information in order to do so.
- While the MPIC quote automatically provides \$25,000 each for special use animals, Chubb has included this coverage at \$19,000 per occurrence (the requested limit) by endorsement.
- In a catastrophic situation, the MPIC policy would provide a total limit per occurrence of 125% of the total insured values. While the Chubb quote does schedule some locations, most are under the blanket limit. In the case of a catastrophe, the Chubb policy would pay for those locations included in the blanket up to the total blanket limit. In either case, it is important to make sure that the values listed on the Statement of Values are kept up to date.
- Extra Expense is handled very differently between MPIC and Chubb. See detail below.
- Another area of difference is in the coverage for surface water/flood. See detail below.

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. MPIC did not provide any option for business interruption.

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. While, they have not provided a listing of those locations where flood coverage would not be available, we believe there would be no coverage at 11 locations. The Chubb quote includes flood (including surface water runoff and sewer backup) for all locations. Different limits and deductibles apply to different locations depending on 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, where some locations would not have coverage.

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 with a \$25,000 deductible applying to any vehicle over \$100,000 in value for both comprehensive and collision.

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 \$78,280 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 Allied World 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.

Integrity's initial quote for all vehicles with a \$5,000 deductible was \$104,838. Once they became aware of the higher deductible offer by Allied World, they amended their deductible to \$5,000 with a deductible of \$25,000 applying to all vehicles over \$100,000. This revised quote is \$90,616. Note this not only means that more vehicles would be subject to the higher deductible, but the higher deductible applies to both comprehensive and collision instead of just collision.

Integrity was apparently not able to quote collision for just police and fire vehicles which is the City's insurance preference.

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

We continue recommend the Chubb property option and the Liberty equipment breakdown renewal. Once Chubb became aware of the revised MPIC property quote, they did not revise their premium as they came to the City with their best price the first time. Note the change in the premium is due to a mathematical error on the part of their rating department which we recently received and have corrected. We apologize for this error.

Mr. Stephen Matty
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Even though the Chubb premium is slightly higher than MPIC, we believe they are providing better overall coverage. In addition, the City can be assured of the backing of a very strong financial partner. Chubb currently has an A.M. Best rating of A++ XV. This is the highest rating accorded to any insurance company. The rating is "Excellent" with a \$2 billion or greater financial size. Coupling this carrier with the loss prevention services which will be provided by both the carrier and the agency make this the best option for the City in our opinion.

As for the auto physical damage, we believe it remains the intent of the City to purchase collision coverage for police and fire vehicles only. If that is the case, we recommend the Allied World option, since Integrity was apparently not able to provide coverage for collision for police and fire only.

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 (\$25,000 for both comprehensive and collision for vehicles valued at more than \$100,000) at a premium of \$90,616, the advantage being replacement cost coverage. The Allied World quote provides agreed value with a \$5,000 deductible at a premium of \$93,334. If you choose to insure all vehicles for collision with Allied World, they will remove the collision deductible of \$25,000 for vehicles over \$250,000, this being the advantage here.

The third Allied World quote provides agreed value with a \$2,500 deductible at a premium of \$105,362. The advantage here is the lower deductible of \$2,500 for all vehicles for both comprehensive and collision and the removal of the higher collision deductible for vehicles over \$250,000 in value.

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

Arlene Petersen, CPCU
petersen@tebrennan.com

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
Real and Personal Property	\$185,274	\$340,575	\$156,630	\$195,100 ⁽¹⁾	\$195,100
Contractors Equipment	28,489	29,751	25,998	Incl.	Incl.
Monies and Securities	1,822	1,822	1,822	Incl.	Incl.
Equipment Breakdown	14,220	15,078	15,078	19,487	15,078
Auto Physical Damage	<u>41,333</u>	<u>55,950</u>	<u>90,616</u>	<u>78,280</u>	<u>78,280</u>
Total	\$271,138	\$443,176	\$275,066	\$292,867	\$288,458

⁽¹⁾ Correcting error in \$5,000 deductible pricing.

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

	2015/2016		2016/2017	
	LGPIF/ Liberty	LGPIF/ Liberty	MPIC/ Liberty	Chubb/ Chubb
Property	(LGPIF)	(LGPIF)	(MPIC)	(Chubb)
Total Values (including specific 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	.0660	.1073	.0532	.0561
Valuation	Replacement	Replacement	Replacement	Replacement
Agreed Value Policy	Yes	Yes	Yes	Yes
Any One Occurrence Limit	No limitation up to blanket limit	No limitation up to blanket limit	125% of total insured values	No limitation up to blanket limit
Ordinance or Law Flood	\$2,000,000 NA	\$2,000,000 NA	\$2,000,000 1,500,000 all locations not in flood plain ⁽¹⁾	Incl. \$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 ⁽²⁾
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)
Special Use Animals	\$19,000 per injury	\$19,000 per injury	\$25,000 per animal	\$19,000 each occurrence
Builders Risk	500,000	500,000	1,000,000	No sublimit
Asbestos and Abatement Costs	NA	NA	100,000	No sublimit
Golf Course Grounds Special Endt.	Incl.	Incl.	Incl.	Incl.
Contractors Equipment				
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
Unscheduled Equipment	\$100,000	\$100,000	\$25,000	No sublimit
Rate Per \$100 of Value	Incl. above	Incl. above	Incl. above	Incl. above

⁽¹⁾ We believe 11 locations would be excluded.

⁽²⁾ 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
Monies and Securities				
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
Equipment Breakdown	(Liberty)	(Liberty)	(Liberty)	(Chubb)
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
Automobile Physical Damage	(LGPIF)	(LGPIF)	(Integrity)	(Allied World)
Deductibles:				
Comprehensive	\$5,000 (all vehicles)	\$5,000 (all vehicles)	\$5,000 ⁽¹⁾ (all vehicles)	\$2,500 ⁽²⁾ (all vehicles)
Collision	5,000 (fire/police only)	5,000 (fire/police only)	5,000 ⁽¹⁾ (all vehicles)	2,500 ⁽²⁾⁽³⁾ (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

⁽¹⁾ Vehicles over \$100,000 in value have a \$25,000 deductible.
⁽²⁾ Catastrophe limit of \$10,000,000 applies.
⁽³⁾ 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
Auto Physical Damage	
1. Place with Allied World (values \$18,598,795 – Agreed Value - \$2,500 deductible) (remove higher deductible restriction) Comprehensive and Collision – all vehicles Flood/Earthquake sublimit on comprehensive - \$1,000,000 Catastrophe limit - \$10,000,000	+ 20,220 (estimate)
2. Place with Allied World (values \$18,598,795 – Agreed Value - \$5,000 deductible) (\$25,000 deductible applies to vehicles over \$100,000 in value) Comprehensive and Collision – all vehicles Flood/Earthquake sublimit on comprehensive - \$1,000,000 Catastrophe limit - \$10,000,000	+ 15,054
3. Add terrorism to Allied World quote	+ 1,132
Chubb Property Quote	
4. Add Business Interruption at \$7,183,038	+ 7,402
EMC Property Premium Indication	
5. Property - \$10,000 deductible including equipment breakdown	270,000
6. Contractors equipment - \$1,000 deductible	41,000
7. Crime - \$1,000,000 - \$10,000 deductible	8,500
8. Auto physical damage – RC for emergency vehicles; all others ACV; \$3,000 deductible comprehensive and collision	108,000
EMC Indication Total	\$427,500

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

Property						
Year	Insurer	No. of Claims	No. of Open Claims	Paid	Reserved	Total
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
Equipment Breakdown						
Year	Insurer	No. of Claims	No. of Open Claims	Paid	Reserved	Total
1/1/10 - 11	Zurich ⁽¹⁾					
1/1/11 - 12	Zurich ⁽¹⁾					
1/1/12 - 13	Zurich ⁽¹⁾					
1/1/13 - 14	Zurich ⁽¹⁾					
1/1/14 - 15	CNA	0	0	0	0	0
1/1/15 - 16	Liberty	0	0	0	0	0
Automobile Physical Damage						
Year	Insurer	No. of Claims	No. of Open Claims	Paid	Reserved	Total
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

⁽¹⁾ Currently valued loss runs not received.

LOCAL GOVERNMENT PROPERTY INSURANCE FUND
559 D'Onofrio Drive, Suite 10
Madison, WI 53719-2805
PHONE: 877-229-0009
FAX: 877-832-0122

WITHDRAWAL FROM THE LOCAL GOVERNMENT PROPERTY INSURANCE FUND

INSTRUCTIONS: Pursuant to the requirements of s.605.21(3) Wisconsin Statutes, provide certified notice to the Local Government Property Insurance Fund that by a majority vote, your Board or Council elected to withdraw from the Fund. **Withdrawal date cannot be prior to the date action was taken.** Send completed notice to above address.

Policyholder Name	Cancel Effective Date	Policy #
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As Clerk, I certify that by a majority vote, the above-named local governmental unit's Board/Council voted to withdraw from the Local Government Property Insurance Fund. This action was taken at the _____ / _____ / _____ meeting.
Month Day Year

Name of Clerk (Type or Print)	Signature of Clerk	Date
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