

FOR BOARD ACTION

Agenda Item # 9

Meeting Date: 12/16/04

SUBJECT: INSURANCE QUOTATIONS FOR 2005

PREPARED BY: Curt Kraft, Director of Corporate Services

ITEM DESCRIPTION:

Listed below are the recommended insurance quotations for obtaining all risk property insurance and general liability and automotive insurance for 2005.

ALL RISK PROPERTY INURANCE:

The C.O. Brown Agency requested proposals from several companies. They received only one proposal from Starr Technical Risk Agency (Hartford Steam) our current property insurance provider. The other carriers declined to provide a proposal due to the cost of the reinsurance market for the amount of our property limit, which is at \$ 150,000,000. The cost per thousand dollars of coverage decreased 9.6% from 2004 to 2005. The property values were updated for normal additions and deletions for the year. The values where adjusted to better reflect current replacement costs with an overall 4% replacement cost adjustment to the rest of the property locations. Staff is recommending maintaining our all risk property coverage with Star: Tech.

	<u>PROPERTY VALUE</u>	<u>PREMIUM</u>
2004	\$ 200,828,000	\$ 566,197
2005	\$ 209,390,000	\$ 532,771

The above coverage does not provide for acts of terrorism.

LIABILITY AND COMMERICAL AUTO INSURANCE:


Staff recommends maintaining the same structure of coverage for liability and auto insurance, having the League of MN Cities provide the primary coverage up to \$ 1,000,000. This year RPU will receive a dividend from the League of \$ 13,961. Staff also recommends maintaining AEGIS to provide blanket liability coverage with limits from \$ 1,000,000 up to \$ 20,000,000.

	<u>2004</u>	<u>2005</u>
League of MN Cities	\$ 104,846	\$ 118,328
AEGIS	\$ 68,149	\$ 69,385

The above coverage's do not provide for acts of terrorism.

UTILITY BOARD ACTION REQUESTED:

The Board is requested to approve the attached resolutions for property and liability insurance for 2005 and to request Council approval of the same.



General Manager

12/13/04

Date



C.O. Brown Agency, inc.
300 South Broadway
Rochester, Minnesota 55904
Telephone 507/288-7600
1/800/288-3715
Fax 507/287-3589

December 2, 2004

Curt Kraft – Director of Administration
Rochester Public Utilities Department
City of Rochester, MN
4000 East River Road NE
Rochester, MN 55906-3414

Dear Curt:

Please see the attached renewal proposals from Starr Tech for the Property Boiler insurance renewal and from AEGIS for your Excess Liability renewal policies for the period of December 31, 2004 to December 31, 2005.

I am also attaching a premium comparison of your current premiums versus the renewal premiums.

As you will note, the Property Boiler premium is \$33,426 less than last year and the Excess Liability premium is \$1,764 less for a total premium reduction of \$35,190. This reduction represents a 5.6% reduction in premium.

Please note that the Property Boiler policy premium does not include terrorism coverage. Currently, you are rejecting this coverage. If you elect to add this coverage, there would be an additional premium charge of \$26,156.

The total property values have increased from \$200,827,834 to \$209,390,114. This is a 4% increase in property values. Without the increase in property values, you would have received an approximate 10% reduction.

Please note that your AEGIS Excess Liability premium has the following discounts applies:

1. EPPIC discount - \$9,189
2. Continuity credit discount - \$17,766





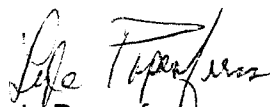
The AEGIS net premium of \$64,937 has been increased by 3% for surplus lines tax and \$2,500 for agents fee.

If you decide to reject the terrorism coverage again this year, we would need to submit the attached signed rejection form to Starr Tech prior to December 31, 2004.

Please let me know should you have any questions regarding this renewal proposal or if you would like to get together to review in further detail.

Thank you for the opportunity to be of continued service to you on your insurance program.

Sincerely yours,

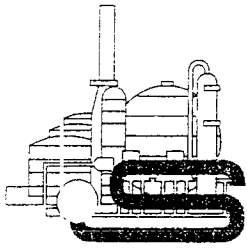


Lyle Papenfuss

C.O. Brown Agency

Enclosures





STARR TECHNICAL RISKS AGENCY, INC.

Tel. (312) 930-2170
Fax (312) 831-0219

Suite 2100
300 South Riverside Plaza
Chicago, Illinois 60606-6613

NAMED INSURED: Rochester Public Utilities

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INSURANCE PREMIUM:

\$ 507,771 Annual Insurance Premium
\$ 25,000 Annual Engineering Fee
\$ 532,771 Total Annual Program

PRODUCER: C.O. Brown Agency
300 South Broadway
P.O. Box 429
Rochester, MN 55904

ATTN: Lyle Papenfuss

THE COMPANY MAY WITHDRAW THIS QUOTATION AT ANY TIME PRIOR TO ACCEPTANCE AND IN NO EVENT WILL IT REMAIN OPEN FOR ACCEPTANCE BEYOND THE EFFECTIVE DATE ABOVE. COVERAGE MAY NOT BE BOUND WITHOUT PRIOR AUTHORIZATION FROM THE COMPANY.

Authorized Signature:

Assistant Vice President

Date:

11/24/2004



COMMERCIAL MUNICIPAL LIABILITY COVERAGE (CLAIMS MADE BASIS)

<u>Limits</u>	<u>Coverage Description</u>
\$1,000,000	Each Occurrence Limit
\$1,000,000	Products & Completed Operations Annual Aggregate
\$1,000,000	Limited Pollution Liability – per “sudden occurrence”/aggregate
\$1,000,000	Failure to Supply Annual Aggregate Limit
\$ 200,000	Lead & Asbestos Claim Limit – per claim/annual aggregate
\$1,500,000	EMF Annual Aggregate Limit
\$ 50,000	Fire Damage Liability (any one fire)
\$ 1,000	Premises Medical Payments - per person
\$ 10,000	Premises Medical Payments - aggregate
\$ 25,000	Deductible with Annual Aggregate Deductible of \$100,000 & after that \$5,000 Deductible Per Claim

Based on:

- \$909,723 Waterworks Payroll (LY-\$833,355)
- 5,000,000 Waterworks Gallons (LY-5,000,000)
- 1 Boat-Less than 25 hp (LY-1)
- \$6,551,175 Electric Department Payroll (LY-\$5,685,564)
- \$112,163,612 Expenditures (LY-\$103,016,000)
- \$ 10,920,657 Independent Contractors (LY-\$8,435,000)

NOTE: HIGHER LIABILITY LIMITS ARE AVAILABLE





COMMERCIAL AUTOMOBILE COVERAGE

<u>Limits</u>	<u>Coverage Description</u>
\$1,000,000	Combined Single Limit - Bodily Injury and Property Damage
\$1,000,000	Uninsured Motorists
\$1,000,000	Underinsured Motorists
\$ 20,000	Personal Injury Protection - medical/non-medical
\$ 25,000	Comprehensive Deductible
\$ 25,000	Collision Deductible

Includes: Non-Owned Auto Liability
Hired Auto Liability

NOTATION:

- Fellow Employee Coverage included
- Vehicle with an amount of insurance over \$5,000 have comprehensive and collision coverage - schedule is per renewal listing.
- Policy based on 140 units of which 94 have physical damage coverage (**LY-policy based on 130 units of which 91 had physical damage coverage**)

NOTE: HIGHER AUTOMOBILE LIABILITY LIMITS AND UNINSURED & UNDERINSURED MOTORISTS LIMITS ARE AVAILABLE.

Total Annual Premium: \$118,328

NOTE: Dividend of \$13,961 will be received shortly

The above is a summary of the premium as proposed in this analysis. If you decide to accept coverage other than as proposed, this summary will change accordingly. It is not an application, binder, or contract, and does not summarize all provisions of our insurance policies.

PROPOSAL ACCEPTED AS PRINTED _____

PROPOSAL ACCEPTED WITH CHANGES NOTED _____

(Signature Required)





RESOLUTION

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, that the Common Council of the said City is requested to approve an insurance agreement with Starr Technical Risks Agency, Inc. (Hartford Steam) for furnishing the following insurance coverage:

ALL RISK PROPERTY INSURANCE

The insurance agreement to be for a twelve month policy period commencing December 31, 2004 and expiring December 31, 2005.

The amount of the twelve month premium effective December 31, 2004 to be FIVE HUNDRED THIRTY-TWO THOUSAND SEVEN HUNDRED SEVENTY-ONE AND NO/100 DOLLARS (\$532,771.00).

Passed by the Public Utility Board of the City of Rochester, Minnesota, this 16th day of December, 2004.

President

Secretary



RESOLUTION

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, that the Common Council of the said City is requested to approve an insurance agreement with the League of Minnesota Cities Insurance Trust for:

COMMERCIAL AUTOMOBILE AND GENERAL LIABILITY INSURANCE

The insurance agreement to be for a twelve month policy period commencing December 31, 2004 and expiring December 31, 2005.

The amount of the twelve month premium effective December 31, 2004 to be ONE HUNDRED EIGHTEEN THOUSAND THREE HUNDRED TWENTY-EIGHT AND NO/100 DOLLARS (\$118,328.00).

Passed by the Public Utility Board of the City of Rochester, Minnesota, this 16th day of December, 2004.

President

Secretary



RESOLUTION

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, that the Common Council of the said City is requested to approve an insurance agreement with the Associated Electric and Gas Insurance Services, Ltd. (AEGIS) for furnishing the following insurance coverage:

EXCESS GENERAL LIABILITY INSURANCE

The insurance agreement to be for a twelve month policy period commencing December 31, 2004 and expiring December 31, 2005.

The amount of the twelve month premium effective December 31, 2004 to be SIXTY-NINE THOUSAND THREE HUNDRED EIGHTY-FIVE AND NO/100 DOLLARS (\$69,385.00).

Passed by the Public Utility Board of the City of Rochester, Minnesota, this 16th day of December, 2004.

President

Secretary