

FOR BOARD ACTION

Agenda Item # 8

Meeting Date:

12/15/05

SUBJECT: INSURANCE QUOTATIONS FOR 2006**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 2006.

ALL RISK PROPERTY INURANCE:

The C.O. Brown Agency requested proposals and received two responses one from Starr Technical Risk Agency (Hartford Steam) our current property insurance provider. The other was AEGIS who provides our umbrella liability coverage. AEGIS has started a new program to offer property coverage to utilities.

The two carriers based their quotes on policy limits that were increased from \$150 million to \$200 million, a reduction in deductibles from \$250,000 to \$100,000, with the exception of our newest gas turbine maintaining a deductible of \$ 350,000. Their quotes were based on values which where adjusted by 8% to better reflect current replacement costs. Staff is recommending maintaining our all risk property coverage with Starr Tech who provided the lowest cost proposal.

	<u>PROPERTY VALUE</u>	<u>PREMIUM</u>
2005	\$ 209,390,000	\$ 532,177
2006	\$ 224,850,000	\$ 420,000

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. The League of MN Cities would provide the primary coverage up to \$1,000,000. This year RPU will receive a dividend from the League of \$ 20,033. Staff also recommends maintaining AEGIS to provide blanket liability coverage with limits from \$ 1,000,000 up to \$ 20,000,000.

	<u>2005</u>	<u>2006</u>
League of MN Cities	\$ 118,328	\$ 123,571
AEGIS	\$ 69,385	\$ 81,440

The above coverages do not provide for acts of terrorism.


General Manager

12/15/05
Date

FOR BOARD ACTION

Agenda Item # 8

Meeting Date:

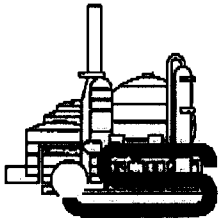
12/15/05

UTILITY BOARD ACTION REQUESTED:

The Board is requested to approve the attached resolutions for property and liability insurance for 2006 and to request Council approval of the same.

General Manager

Date



TARR TECHNICAL RISKS AGENCY, INC.

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

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

ALL RISK QUOTATION

NAMED INSURED: Rochester Public Utilities

Page 1 of 3

MAILING ADDRESS: 4000 E. River Rd. NE
Rochester, MN 55908

LOCATION(S): Per Schedule on File with the Company

POLICY TERM: Effective: 12/31/2005 12:01 AM Expiration: 12/31/2006 12:01 AM

INSURING CO.: The Hartford Steam Boiler Inspection and Insurance Co.

POLICY NUMBER: TBD

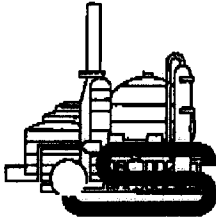
FORM: UNITECH AREN 03/98 Rev. 01/01 form with changes below.

COVERAGE: All Risk Including Boiler and Machinery

**POLICY LIMIT
OF LIABILITY:** \$206,000,000

SUBLIMITS:

\$50,000,000	Flood, Excl. 100 Year Flood Zone as defined by FEMA
\$50,000,000	Earth Movement, Excl. CA
\$25,000,000	Newly Acquired Property (90 days reporting)
\$10,000,000	Demolition and Increased Cost of Construction
\$10,000,000	EDP Media/Extra Expense
\$10,000,000	Mobile Equipment
\$ 5,000,000	Accounts Receivable
\$ 2,500,000	Extra Expense, Excl. Replacement Power (See Condition #5)
\$ 2,500,000	Expediting Expense
\$ 1,500,000	Errors and Omissions
\$ 1,500,000	Miscellaneous Unnamed Locations
\$ 1,000,000	Hazardous Substances or Contaminants
\$ 1,000,000	Valuable Papers and Records
\$ 500,000	Property in Transit (Ocean Marine not covered)



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NAMED INSURED: Rochester Public Utilities

Page 2 of 3

DEDUCTIBLES:

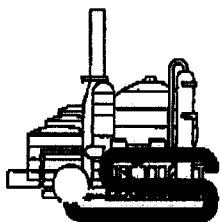
\$100,000 – Property Damage All Perils, EXCEPT:

\$350,000 – Loss to Pratt & Whitney FT 8 Twin Pack Simple Cycle Combustion Turbine at
Cascade Creek site

\$100,000 – Transformers

ADDITIONAL TERMS AND CONDITIONS:

1. As respects Acts of Terrorism as defined by the Terrorism Risk Insurance Act of 2002, the Insured has the option to accept or reject coverage. Rejection of coverage would be evidenced the Insured signing the attached Policyholder Disclosure Statement prior to binding. If the Insured elects to decline coverage, then the attached Certified Terrorism Exclusion Endorsement will be added to the renewal policy. The annual Terrorism premium is \$21,000.
 2. The following Endorsements will be added to the Policy at the renewal: Accounts Receivable; Boiler and Machinery Definition; Cancellation – Modification of Notice by the Company; Data Distortion/Corruption; Electronic Data Processing Media with Extra Expense; Errors and Omissions; Exclusion of Certain Computer-Related Losses; Exclusions – Silver Lake Dam - Gate Equipment modification; Extra Expense; Extra Expense Coverage Restriction; Flood Exclusion and Flood Zone "A" and "V" Locations; Gas Turbine Generator; Mobile Equipment; Minnesota Changes; Political Risk Exclusion; Reported Values; Schedule of Locations; Steam Turbine Generator; Terrorism Exclusion Endorsement (Form #81330); Valuable Papers and Records; and Wind.
 3. Business Interruption is excluded.
 4. 72 Hour Windstorm, Earth Movement, and Flood Occurrence Limit applies.
 5. There shall be no recovery under this policy for any Extra Expense incurred in the generation, transmission, purchase, replacement, trading, or distribution of electrical power.
 6. Reported Value Endorsement applies. Reported values are: \$224,850,272.
 7. Property/Fire; Boiler & Machinery Loss Prevention; and Jurisdictional Inspections are to be performed. This service is to be continued on an additional fee basis and is invoiced and billed separately to the broker, net of commission.
 8. The writing company upon renewal will be Hartford Steam Boiler Inspection and Insurance Co.
-



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NAMED INSURED: Rochester Public Utilities

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INSURANCE PREMIUM:

\$ 400,000 Annual Insurance Premium
\$ 20,000 Annual Engineering Fee
\$ 420,000 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:

12/2/2005

Ronald S. Bertrand
Vice President



Renewal Quote

December 6, 2005

Mr. Lyle R. Papenfuss
Sales Manager
C.O. Brown Agency, Inc.
300 S Broadway
Rochester, MN 55904-6505 USA

RE: *Rochester Public Utilities Department, City of Rochester, MN
Excess Liability Insurance
AEGIS Policy Number: X0342A1A04
Premium Quotation: December 31, 2005 to December 31, 2006*

Dear Mr. Papenfuss:

As of the expiration date of December 31, 2005 for Policy No. X0342A1A04, we have prepared the following quote:

- I. A. Limit of Liability each occurrence:
\$20,000,000
- B. Joint Venture Limit of Liability each occurrence:
Per Limit of Liability Section (3)
- C. Combined Products Liability and Completed Operations
Liability Aggregate Limit of Liability for the Policy Period:
\$20,000,000
- D. Failure to Supply Liability Aggregate Limit of Liability
for the Policy Period:
\$20,000,000
- E. Pollution Liability Aggregate Limit of Liability
for the Policy Period:
\$20,000,000
- F. Medical Malpractice Injury Limit of Liability
each occurrence:
\$20,000,000

AEGIS Insurance Services, Inc.
10 Exchange Place
Jersey City, NJ 07302
Tel: 201-521-4582
Fax: 201-356-4093
ronaldbertrand@aegislimited.com

Page 2 of 4

December 6, 2005

RE: Rochester Public Utilities Department, City of Rochester, MN

II. Underlying Limits:

A.

- \$ 1,000,000 any one OCCURRENCE - General Liability
- \$ 1,000,000 any one OCCURRENCE - Pollution Liability
- \$ 1,000,000 any one OCCURRENCE - Automobile Liability
- \$ 1,000,000 any one OCCURRENCE - Employers Liability

\$50,000,000 any one OCCURRENCE - Pollution Liability
or for liability of any nature whatsoever based upon, arising out of or attributable to:

(1) the actual or alleged delivery, manufacture, use, sale, mixing, removal, remediation, disturbance, dissemination, distribution, storage, transportation, handling or presence of, ingestion, inhalation or absorption of, or exposure to (i) the following substances or (ii) any product containing the following substances.

(a) methyl tertiary-butyl ether (MTBE), or tertiary amyl methyl ether (TAME), or tertiary amyl ethyl ether (TAEE), or ethyl tertiary butyl ether (ETBE), or diisopropyl ether (DIPE), or dimethyl ether (DME), or any other aliphatic ether, or tertiary butyl alcohol (TBA), or ethanol or methanol, or any other fuel oxygenate, or any other water soluble or miscible liquid, or its co-product, by-product, or intermediate product used or intended for use in gasoline or other petroleum products, whenever, wherever or however occurring; or

(b) lead in any form (whether solid, liquid or gas, or any combination thereof), whenever, wherever or however occurring

B. \$1,000,000 each occurrence not covered by underlying insurance.

III.

Terms and Conditions

See, Exclusions on pages 7, 8, 9 and 10 of specimen policy form.

Note:

1. Retentions to apply in combination..
2. Unless extended in writing by AEGIS, this quotation will expire on December 31, 2005, and we will then close our file.
3. Retroactive date: October 18, 1986.

Page 3 of 4

December 6, 2005

RE: Rochester Public Utilities Department, City of Rochester, MN

Policy Form:

1. Excess Liability Insurance Policy, Form No. 8100

If coverage is bound, the following Endorsements will be attached at policy issuance:

1. Nuclear Energy Liability Exclusion (Broad Form), Form No. 8202
2. Employment Practices Liability Endorsement, Form No. 8262
3. Employment Practices Liability Exclusion Endorsement, Form No. 8264
4. Definition (L) Insured Endorsement, Form No. 8200
5. Terrorism Limits and TRIA Endorsement, Form No. 8293 (if coverage is purchased) or Terrorism Exclusion Endorsement, Form No. 8291 (if coverage is rejected)

Rated Premium subject to discount:	\$97,851
EPPIC discount	\$0*
Member Continuity Credit:	(\$21,696)
Amount due AEGIS:	\$76,155

*This proposal does not include the EPPIC Program benefits for the 12/31/2005 - 12/31/2006 period, as these benefits are currently being negotiated. It is anticipated that EPPIC members will be provided with program details in the near future.

Please see the attached letter accompanying this correspondence, titled "NOTICE OF TERRORISM INSURANCE COVERAGE UNDER THE U.S. TERRORISM RISK INSURANCE ACT OF 2002 AND NOTICE OF ADDITIONAL PREMIUM", regarding terrorism coverage that may be afforded under this policy. The additional premium amount listed within the attached letter is not included within the quoted premium above. It is imperative that you forward this letter to the applicant.

AEGIS is currently developing wording to express its position regarding coverage for our insureds regarding occurrences resulting from acts of terrorism beyond the 12/31/05 expiration of THE U.S. TERRORISM RISK INSURANCE ACT OF 2002.

Indications are that the Act will be renewed by the federal government and that everything will remain "as is" beyond the 12/31/05 date. However, there is always the possibility that the act may not be renewed and AEGIS is reexamining what impact this reduction of reinsurance coverage will have on the mutual company. It is always AEGIS' intent to provide the broadest coverage for its members and in the forefront of our examination will be the exploration of our ability to continue the coverage beyond 12/31/05 if the government decides not to renew the Act. Well in advance of the 12/31/05 expiration date, we will have completed our examination and advise our policyholders.

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December 6, 2005

RE: Rochester Public Utilities Department, City of Rochester, MN

Should you have any questions or require further assistance, please do not hesitate to contact us.

Very truly yours,

A handwritten signature in cursive script, appearing to read "R. S. Bertrand".

Ronald S. Bertrand
Vice President

DEC. 2. 2005 8:19AM

CO BROWN AGENCY

NO. 3859 P. 2



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

INSURANCE PROPOSAL

PREPARED FOR

**ROCHESTER PUBLIC
UTILITIES**

Presented by

**Darwin A. Olson
C.O. Brown Agency, Inc.
300 S. Broadway
Rochester, MN 55904**

December 2, 2005

NOTE: Descriptions of coverage in this proposal have been simplified and are subject to the coverage accepted and the exact policy terms. This offer expires in 30 days.

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DEC. 2. 2005 8:19AM

CO BROWN AGENCY

NO. 3859 P. 4

**INLAND MARINE FLOATER****Limits****Coverage Description**

\$ 873,999

Scheduled Mobile and Miscellaneous Equipment on file with company with a value greater than \$25,000 per item (LY based on \$589,801)

\$ Unlimited

Unscheduled Mobile and Miscellaneous Equipment with a value of \$25,000 or less per item subject to the Annual Aggregate

Deductible of \$100,000 for all lines and then \$5,000 Deductible after the annual aggregate is met.

NOTE: During the policy term, any piece of mobile equipment that you purchased that is valued under **\$250,000** does not need to be reported and you will have automatic coverage. Anything over the **\$250,000** value **DOES** need to be reported. On the renewal term, you will need to provide a new listing of all equipment and the renewal will be based on the new listing.



DEC. 2. 2005 8:19AM

CO BROWN AGENCY

NO. 3859 P. 5



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:

- \$916,984 Waterworks Payroll (LY-\$909,723)
- 5,000,000 Waterworks Gallons (LY-5,000,000)
- 1 Boat-Less than 25 hp (LY-1)
- \$6,971,398 Electric Department Payroll (LY-\$6,551,175)
- \$116,518,851 Expenditures (LY-\$112,163,612)
- \$ 8,908,510 Independent Contractors (LY-\$10,920,657)

NOTE: HIGHER LIABILITY LIMITS ARE AVAILABLE



DEC. 2. 2005 8:20AM

CO BROWN AGENCY

NO. 3859 P. 6

**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 134 units of which 99 have physical damage coverage (LY-policy based on 140 units of which 94 had physical damage coverage)

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

Total Annual Premium: \$123,571

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)



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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, 2005 and expiring December 31, 2006.

The amount of the twelve month premium effective December 31, 2005 to be FOUR HUNDRED TWENTY THOUSAND AND NO/100 DOLLARS (\$420,000.00).

Passed by the Public Utility Board of the City of Rochester, Minnesota, this 15th day of December, 2005.

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, 2005 and expiring December 31, 2006.

The amount of the twelve month premium effective December 31, 2005 to be ONE HUNDRED TWENTY-THREE THOUSAND FIVE HUNDRED SEVENTY-ONE AND NO/100 DOLLARS (\$123,571.00).

Passed by the Public Utility Board of the City of Rochester, Minnesota, this 15th day of December, 2005.

President

Secretary

RESOLUTION

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, 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, 2005 and expiring December 31, 2006.

The amount of the twelve month premium effective December 31, 2005 to be SIXTY-EIGHT THOUSAND THREE HUNDRED SIXTY-ONE AND NO/100 DOLLARS (\$68,361.00).

Passed by the Public Utility Board of the City of Rochester, Minnesota, this 15th day of December, 2005.

President

Secretary