



# CITY OF GRAND RAPIDS AGENDA ACTION REQUEST

**DATE:** July 16, 2024

**TO:** Mark Washington, City Manager

**COMMITTEE:** Fiscal Committee

**LIAISON:** Molly Clarin, Chief Financial Officer

**FROM:** Erik Von Hatten, Risk Manager  
Risk Management

**SUBJECT:** **Resolution authorizing FY2025 insurance renewals with various providers for a total cost of \$3,182,824.00**

The attached resolution authorizes the renewal of various insurance policies as recommended by the City’s Agent of Record, Arthur J. Gallagher Risk Management Services, and payment of premiums associated with the City’s annual insurance renewal process. These expenses have been budgeted in 5400 INS (8400) and 5200 W/C1 (8400). Coverage on these policies are ongoing and upon approval, the Carriers will back-date the coverage start date to 07/01/24.

Below is a comparison of the coverage amounts for this year, fiscal year 2024 (FY24), relative to the amount for fiscal year 2025 (FY25).

Line of Coverage		Expiring Program FY24		Proposed Program FY25	
		Carrier	Expiring Cost	Carrier	Estimated Cost
Property	Premium	Federal Insurance Company (Chubb Group of Insurance Companies)	\$1,437,179.00	Federal Insurance Company (Chubb Group of Insurance Companies)	\$1,523,409.00
Special Events Liability	Premium	Western World Insurance Company (Western World Insurance Group)	\$4,360.08	Western World Insurance Company (Western World Insurance Group)	\$4,700.55

Excess Workers' Compensation	Premium	Midwest Employers Casualty Company (W.R. Berkley Group)	\$170,948.00	Midwest Employers Casualty Company (W.R. Berkley Group)	\$170,948.00
Liquor Liability	Premium	Founders Insurance Company (Penn National Insurance Group USE PENNA3)	\$1,202.00	Founders Insurance Company (Penn National Insurance Group USE PENNA3)	\$2,075.00
Government Crime	Premium	Hanover Insurance Company	\$10,873.00	Hanover Insurance Company	\$10,496.00
Contractor's Pollution Liability and Pollution Legal Liability	Premium	Ironshore	\$126,319 1st-year of 2-year policy paid in full in FY23	Ironshore	\$126,319 2nd year of 2-year policy paid in full in FY23
Agent of Record	Service Fee	AJ Gallegher	\$50,000.00	AJ Gallegher	\$52,000.00
Property Appraisal	Service Fee			CBIZ Valuation Group, Inc.	\$57,000.00
Fine Arts Appraisal	Service Fee			CBIZ Valuation Group, Inc.	\$18,000.00
General Liability	Premium	Michigan Municipal Risk Management Authority (MMRMA)	\$1,108,248.00	Michigan Municipal Risk Management Authority (MMRMA)	\$1,208,248.00
Workers' Compensation Claims Administration and Bill Review	Premium	CompOne Administrators	\$71,153.00	CompOne Administrators	\$73,287.00
<b>Total Cost</b>			<b>\$2,919,271.00</b>		<b>\$3,182,824.00</b>

A summary of the various insurance policies is provided below.

**Property:** Chubb  
 Annual Premium: \$1,523,409.00  
 Deductible for most perils: \$250,000  
 Limits: Blanket coverage of \$500M based on FY24 insured values of \$2,473,946,936.00.

The annual premium for FY24 was \$1,437,179.00. The increase for FY25 of approximately 1.01% is a result of the additions of Properties at Bristol, Kalamazoo, Pannell, and Scribner. After the initial premium of \$1,601,613.00 was provided, our Agent was able to renegotiate property coverage down to the listed amount, for a savings of \$78,204.00. Additionally, continued catastrophic claims occurring on a national basis and an increase in overall City property valuation of 4.94%.

**Government Crime:** Hanover Insurance Group  
 Annual Premium: \$10,496.00

Insurance provides \$1,000,000 liability coverage for City employee forgery, theft, computer fraud, and public employee dishonesty subject to a \$50,000 deductible. The City is in the first year of a \$31,488.00 three year premium agreement.

**Liquor Liability:** Founder's Insurance Company  
 Annual Premium: \$2,075  
 Limits: \$1,000,000 per occurrence; \$2,000,000 aggregate  
 Deductible: \$0

Insurance provides coverage for Indian Trails Golf Course's liquor license. This policy will meet the proof of financial responsibility requirement as established by the Michigan Liquor Control Commission (MLCC). This is an increase of \$873.00 from FY24 premium which was \$1202.00 and is due to a 3% increase in sales.

**Special Events Insurance:** Western World Insurance Company  
 Annual Premium: \$4,701.00  
 Limits: \$ 1,000,000 per occurrence/\$ 1,000,000 aggregate  
 Deductibles: \$500

The City of Grand Rapids Special Events commercial liability policy provides coverage for three City sponsored or co-sponsored events. The three events – the Veterans' Day Hollyhock, and Memorial Day parades – have their insurance costs waived and included in this policy.

**Excess Workers' Compensation Insurance:** Midwest Employers Casualty Company  
 Annual Premium: \$170,948  
 SIR Retention: \$750,000

- A. Midwest Employers Casualty Company agreed to a 2-year term with a policy premium of \$307,706.00 (Annually \$170,948.00 includes TRIA of \$5,128) The total 2-year term is \$341,896.00. This will continue to provide the City with a \$750,000 self-insured retention for all citywide classifications.
- B. It is also recommended that the professional workers' compensation claims administration and bill review services continue to be handled by a separate agreement with CompOne Administrators, Inc. in the amount of \$73,287.00 for a one-year period operating under the obligations, terms, and conditions of the FY24 agreement. This work provides state mandated technical review of workers' compensation plans, necessary and customary administrative work in connection with each qualified claim or loss, and medical bill cost containment and administration.

### **Contractor's Pollution Liability and**

#### **Pollution Legal Liability:**

Ironshore  
 Two Year Premium Pre-paid in FY24:  
 \$126,319.00  
 Limits: \$25,000,000 per occurrence/\$25,000,000  
 aggregate  
 Deductibles: \$25,000

The policy incorporates a program that provides coverage for sanitary landfills, wastewater treatment plants, water treatment plants, waste disposal sites, "midnight (illegal) dumping, above/underground storage tanks, presence of asbestos, contractor activities, new and pre-existing conditions, indoor air quality including mold and legionella, non-owned disposal sites, emergency response coverage, and water supply coverage. The City will be in the second year of a two year premium agreement. The premium payment was made in a one-time transaction in FY24.

### **Property and Fine Art**

#### **Appraisal Services:**

CBIZ Valuation Group  
 Property Appraisal One-time Charge: \$57,000.00  
 Fine Art Appraisal One-time Charge: \$18,000.00

AJ Gallagher Risk Management Services has recommended that the City of Grand Rapids conduct a comprehensive physical property appraisal to establish current insurable values and other property data as it related to out property insurance reporting requirements. The last property appraisal was conducted in 2018. Risk industry standard recommended property appraisals every 3 to 5 years. Ascertaining correct property values is important to purchasing insurance so that the City neither over-insures nor under-insures. Underinsuring presents the problem of hidden risk retention which can result in budget depleting losses. In contrast, over-insuring represents a misappropriation of taxpayer funds for unnecessary coverage.

This quote contains an additional \$200 per building fee for any additional utility building/structure inspected and valued that are not listed on the property addendum. In collaboration with Archives and City Management, Risk Management has requested an appraisal of fine art that the City of Grand Rapids is in possession of. The Risk Management Office supports this and further reiterates the need to properly value and insure fine art items located on City property. This quote is estimated to be \$16,000.00 to \$18,000.00.

**Excess Liability:** Michigan Municipal Risk Management Authority (MMRMA)  
 Annual Premium: \$1,208,248  
 Self-Insured Retention: \$1,000,000 Per Occurrence  
 Limits: \$15,000,000

- A. The City has been a member of the MMRMA since the early 1980's and it continues to be designated a best value by our Agent of Record in providing coverage for its members. The MMRMA underwrites our general liability excess coverage and is made up of only public sector entities in Michigan. An example of the incredible value we receive from MMRMA as a member is its policy decision since 2007 to pay all of the MCCA (Michigan Catastrophic Claims Association) vehicle charges to the State of Michigan on behalf of its members. All auto insurance companies operating in Michigan or large-scale vehicle owners are assessed a fee to cover the catastrophic medical claims occurring in Michigan. Generally, such assessments are passed directly on to auto insurance policyholders like the City. The 2023 state assessment is \$86 per vehicle. The City has 717 licensed vehicles; therefore, the cost savings to the City by MMRMA covering the charges is \$61,662.
- A. Additionally, the City will again be receiving a Net Asset Distribution amount of \$723,771.00 from the MMRMA. This distribution will offset our annual premiums noted above. The MMRMA has previously done this to reward the members for being good stewards of Risk Management programs, resources, and implementation of best practices to reduce or avoid liability. There are many factors that contribute to the MMRMA's ability to do this which include the following: favorable investment returns, fewer losses or claims by members due to the use of good management practices; member responsiveness to risk control recommendations; longevity as a member of the authority; and most importantly positive investment earnings.
- B. The MMRMA coverage also includes insurance coverage for Unmanned Aircraft (Drones) Privacy Liability; Data Breach Loss to Member; Electronic Media Liability; and Breach Mitigation Expense Coverage (a.k.a. Cyber Liability Insurance Coverage). Coverage in these areas is trending upward due to a national increase of events for this type of liability.

- C. The City experienced a total benefit of \$758,758.00 in the form of Risk Avoidance Grants as a result of its membership in the MMRMA.
- D. The annual premium for FY24 was \$1,108,248. The increase for FY25 of approximately 9.0% is a result of the MMRMA's internal rating structure and increases in reinsurance pricing for the general liability which is in a hard market along with the City's loss history.

It is my recommendation that the attached resolution authorizing the purchase of various insurance policies and payment of premiums associated with the City's annual renewal process be presented to the City Commission. Please place this item on the next City Commission agenda.

Your FISCAL COMMITTEE recommends the adoption of the following resolution authorizing FY2025 insurance renewals with various providers for a total cost of \$3,182,824.00.

RESOLVED, that the Mayor is authorized to execute agreements with the following insurance carriers in a form to be approved by the City Attorney, and the City Comptroller is authorized and directed to pay the following insurance premiums for the period of July 1, 2024, to June 30, 2025, in an amount not to exceed \$3,182,824.00.

Payable to:

Arthur J. Gallagher Risk Management Services for the following policies:

Founders Insurance Company (liquor liability)	\$	2,075.00
Hanover Insurance Group (government crime)	\$	10,496.00
Chubb (property)	\$	1,523,409.00
Midwest Employers Casualty Co. (excess workers' comp. insurance)	\$	170,948.00
Western World Insurance Company (special events)	\$	4,701.00
AJ Gallagher Service Fee	\$	52,000.00

Payable to:

CBIZ Valuation Group (Property Appraisal)	\$	57,000.00
CBIZ Valuation Group (Fine Art Appraisal)	\$	18,000.00

Payable to:

Michigan Municipal Risk Management Authority (excess liability)	\$	1,208,248.00
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Payable to:

CompOne Administrators (workers' comp. third party administrator)	\$	72,287.00
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**CORRECT IN FORM**  
  


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**DEPARTMENT OF LAW**