




CITY OF RAPID CITY
RAPID CITY, SOUTH DAKOTA 57701-2724

Risk Management
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MEMORANDUM

DATE: December 10, 2013

TO: Legal and Finance Committee
City Council

FROM: Insurance Committee
Risk Management 

SUBJECT: 2014 City Insurance Renewals

Attached is the summary page for the City's 2014 insurance renewals. Overall, the renewal premium is up 3.9% over the expiring 2013 premium. The majority of the City's premium increase came from the property coverage line, where the overall property premium increased 17% over last year. Of the 17% increase, 7% of that was due to a \$25 million dollar increase in property values (the Jackson Springs Water Treatment Facilities) and the remaining 10% due to pure rate increase.

The only significant change to the City's insurance coverage for this year is to the wind and hail deductible. Since 2011, the City has incurred \$3.4 million dollars in hail damage which has negatively impacted our claims history. For 2013, the City's wind and hail deductible was \$50,000 per premise/per occurrence with a \$200,000 per occurrence aggregate. For 2014, the wind and hail deductible has changed to ½ of a percent (0.5%) of the scheduled building limit per premise/per occurrence (with a minimum of \$50,000 per premise) with a \$500,000 per occurrence aggregate. All of the buildings will still have a \$50,000 deductible per premise/per occurrence for hail except for four locations. The four affected locations are the old Water Treatment Plant, the Airport (main terminal), the Civic Center and the new Jackson Springs Water Treatment Facility. The per occurrence aggregate increase also means potentially an additional \$300,000 in self insurance costs that the City will be assuming in the event of a wind or hail loss. This is the current state of the commercial property market and the unfortunate outcome of the weather related events that have struck the City in recent years. The Finance Department is evaluating the need to establish a fund that all departments would contribute to in order to be able to fund this additional \$300,000 exposure for a wind or hail event.

The Insurance Committee and staff will be attending the Legal and Finance meeting on December 11 and the City Council meeting on December 16 to answer any questions.



EQUAL OPPORTUNITY EMPLOYER