



## **Black Hills Agency, Inc.**



*Serving The Community Since 1949*

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Date: December 23, 2002

To: City of Rapid City Common Council

From: City Insurance Committee  
Kathy Maguire, Chair

Regard: Committee Recommendation for 2003 Property Casualty Renewal

The City's Insurance Committee met on Friday, December 20<sup>th</sup> to review the City's various commercial insurance coverages. Present at this meeting were City Finance Officer, Jim Preston, City Attorney, Adam Altman, City Risk Manager Keith L'Esperance, members of the Independent Insurance Agents of Rapid City, Donita Haley (Cummings & Roll), Brad Blumenthal (Western Dakota Insurors), Dan Maguire (Black Hills Agency) and myself. The following recommendations are presented to Council for their consideration (per attached limits and premiums):

1. Renew Property, Inland Marine, Liability (including Liquor, Health Care Professional, Employee Benefit Liability, Law Enforcement, Public Entity Management and Employment Practice Liability), Auto Liability & Physical Damage (including Garagekeepers Legal) all with St. Paul Companies.
2. Renew Boiler & Machinery with Chubb Group.
3. Renew Government Crime (Monies & Securities) with Fidelity & Deposit.
4. Renew Public Officials Bond for Finance Officer with Westfield Group.
5. Renew General Liability for Airport with ACE USA & Lloyds
6. Renew Excess Workers Compensation Coverage with Midwest Casualty Employers.

Total Cost for Coverages 1-6 is \$625,628. Rate increase over expiring (average over all lines) subtracting exposure increases is 25%. This was expected and budgeted for due to the continued condition of the Domestic and European Reinsurance Markets. Exposure and pricing for City's operation of Ambulance Service is included (with exception of vehicles yet to be purchased).

In addition, Committee recommends to Council that the City renew their contract with Berkley Administrators for Third Party Administrative Services of City's Workers Compensation Claims. Rates are proposed per attached fee schedule (in contract). This contract has not seen a rate increase for three years. Annual Claim Administration costs are expected to remain fairly constant at approximately \$16,000 a year.

Coverage issues Council should be aware of are briefly summarized and attached.

Member:

Independent Agents of Rapid City Independent Agents of S.D. Independent Insurance Agents of America

**2003 PREMIUM SUMMARY FOR CITY OF RAPID CITY, SD**

COVERAGE	LIMITS	DEDUCTIBLE	PREMIUM
<b>ALL PROPERTY(*) &amp; INLAND MARINE(*) IS SUBJECT TO A LOSS LIMIT OF \$100,000,000. THIS MEANS THAT WE WILL NOT PAY MORE THAN \$100,000,000 IN ANY ONE LOSS.</b>			
Property Blanket (*)	\$ 223,931,290	\$ 50,000	\$ 200,642
Storybook Island (*)	\$ 2,224,265	\$ 5,000	\$ 3,980
<b>Inland Marine (*)</b>			
Contractors Equipment (*)	\$ 4,833,806	\$ 1,000	\$ 4,686
Electronic Data Processing Equipment (*)	\$ 1,633,553	\$ 1,000	\$ 2,829
Fine Arts (*)	\$ 820,628	\$ 1,000	\$ 139
Signs (*)	\$ 189,000	5%	\$ 2,500
Miscellaneous Property (*)	\$ 83,600	\$ 1,000	\$ 171
DIC (*)	\$ 5,000,000	\$ 50,000	\$ 2,180
Flood Zone B (*)	\$ 5,000,000	\$ 100,000	Included
Flood Zone C (*)	Included	\$ 50,000	Included
Earthquake (*)	\$ 5,000,000	\$ 50,000	Included
<b>General Liability</b>	<b>\$5M/\$5M</b>	<b>\$100K/\$300K</b>	<b>63,643</b>
Premises Damage	\$ 100,000	\$100K/\$300K	Included
Fail to Supply	\$ 250,000	\$100K/\$300K	Included
Sewer Back Up	\$ 1,000,000	\$100K/\$300K	Included
<b>Liquor Liability</b>	<b>\$5M/\$5M</b>		<b>Included</b>
<b>Health Care Professional (Retro Date-10/1/95)</b>	<b>\$5M/\$5M</b>	<b>\$100K/\$300K</b>	<b>Included</b>
<b>Employee Benefit Liability</b>	<b>\$1M/\$3M</b>	<b>\$100K/\$300K</b>	<b>Included</b>
<b>Law Enforcement Liability</b>	<b>\$2M/\$2M</b>	<b>\$100K/\$300K</b>	<b>\$ 43,784</b>
<b>Public Entity Management Liability (Retro Date-10/1/94)</b>	<b>\$5M/\$5M</b>	<b>\$100K/\$300K</b>	<b>\$ 4,633</b>
<b>Employment Practice Liability (Retro Date-10/1/94)</b>	<b>\$2M/\$2M</b>	<b>\$ 100,000</b>	<b>\$ 28,790</b>
<b>Auto</b>			
Liability	\$ 5,000,000	\$100K/\$300K	\$ 70,161
UM/UIM	\$300K/\$300K	\$100K/\$300K	Included
Comprehensive		\$ 10,000	\$ 10,971
Collision		\$ 10,000	Included
Garagekeepers Legal Liability - Comp & Collision	\$ 1,000,000	\$ 10,000	Included
<b>Boiler &amp; Machinery</b>	<b>\$50M</b>	<b>\$ 5,000</b>	<b>\$ 18,776</b>
<b>Government Crime (Per Schedule)</b>	<b>\$ 100,000</b>	<b>NIL</b>	<b>\$ 2,116</b>
<b>Public Officials Bond - Finance Officer</b>	<b>\$ 250,000</b>	<b>NIL</b>	<b>\$ 825</b>
<b>Airport Liability</b>	<b>\$ 100,000,000</b>	<b>NIL</b>	<b>\$ 65,350</b>
<b>Excess Workers Compensation</b>	<b>Stat/Agg</b>	<b>\$ 325,000</b>	<b>\$ 99,452</b>
		<b>TOTAL</b>	<b>\$ 625,628</b>

The 2003 Proposal for Rapid City contemplates the following:

- \* Loss & Loss Adjusting Expense will erode the deductible for Employment Practice Liability.
  - \* Loss only will erode the deductibles for Public Entity Management Liability, Law Enforcement Liability, General Liability & Auto.
  - \* The Loss Fund to fund payments under the deductible will remain the same.
- The Loss Fund contract must be signed by the upon receipt.



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### City of Rapid – 2003 Property/Casualty Major Coverage Change Highlights

\*\*\***PROPERTY**: There remains no exclusion for terrorism perils. However, the blanket limit for real and personal property is now subject to a **PER LOSS LIMIT of \$100,000,000**. City's highest insured exposure is the Civic Center at a total of \$75,586,400.

\*\*\***GENERAL LIABILITY** (Excluding Airport): There remains no exclusion for terrorism claims. Specific exclusions have been included (on all property and liability lines) for **Mold, Other Fungi, or Bacteria**. While City's exposure to such a liability claim remains extremely low, recommendation was made to City Attorney to incorporate language in City's release when payment of sewer back up claims are authorized.

\*\*\***EMPLOYMENT PRACTICE LIABILITY**: Deductible was raised to \$100,000. Loss & Loss Adjusting Expense will erode the deductible. **All other liability lines** (including but not limited to the general liability, law enforcement and public entity management) remain in the program designed four years ago. The coverage contract provides for a \$100,000 per occurrence deductible with an Annual Aggregate Deductible of \$300,000 (over all lines except EPL). In addition, only the actual Loss Payment erodes the deductible, **i.e. All claims expense and litigation costs are outside our deductible and the responsibility of St. Paul.**

\*\*\***AIRPORT PUBLIC OFFICIALS E&O**: This exposure was added to the City's Public Entity Coverage with St. Paul. It was previously covered under a separate policy for Airport. Instead of a \$1,000,000 limit and \$10,000 deductible, the coverage for Airport now mirrors the City's which is \$5,000,000 subject to the specific and aggregate deductible program.

\*\*\***AIRPORT GENERAL LIABILITY**: Passage of the Anti-Terrorism Legislation included a provision which made it mandatory for all US domiciled carriers to offer coverage for terrorism acts for all lines of coverage. Even though the current policy includes an exclusion for Terrorism, the City currently has coverage (effective 11/26/02) due to the passage of this bill. Coverage will continue for 30 days after the City receives a quote from the current carrier to continue to include this coverage. At that time, the City must pay the additional premium or decline to purchase the coverage. We expect to receive this quote sometime in January, at which time the Insurance Committee will meet and make a recommendation to Council. This is the only line of coverage for the City where Committee expects to have Terrorism excluded (due to prohibitive cost). All other liability, property and workers compensation coverages will not exclude claims involving terrorist acts.

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**ADMINISTRATIVE SERVICES AGREEMENT  
AMENDMENT NO. 1**

**THIS ADMINISTRATIVE SERVICES AGREEMENT AMENDMENT NO. 1**, made in South Dakota and effective January 1, 2003, amends the Administrative Services Agreement of January 1, 1999 (“Agreement”), by and between The City of Rapid City (“Self-Insured”) and Berkley Administrators, A Division of Tri-State Insurance Company of Minnesota (“TPA”) as follows:

- I. At the time the Agreement was executed, Berkley Administrators was a Division of Tri-State Insurance Company of Minnesota. On June 30, 1999, Berkley Risk Administrators Company, LLC, acquired Berkley Administrators and became the successor in interest to Berkley Administrators.
- II. Section 2.01 of the Agreement is amended and replaced in its entirety by as follows:

**2.01 FEES**

TPA will send to Self-Insured an invoice for the monthly service fee by the 10<sup>th</sup> day of each month based upon the fee schedule contained in this Section 2.01. Self-Insured shall submit payment for such invoice within 15 days of receipt.

**A. New Claims**

All new claims will be handled at the following cost:

- Notice Only..... \$20 per claim
- Medical Only..... \$100 per claim
- Indemnity..... \$525 per claim

The estimated fee payable monthly is based on the number and type of claims indexed the prior month. If a claim’s type changes, any additional amount due will be invoiced on the next monthly billing. All fees are fully earned at the time the claim is opened or the claim type changed.

**B. Prior Claims**

Inherited claims initially reported to a previous claims administrator may be reassigned to TPA at Self-Insured’s discretion at the following cost:

- Medical Only..... \$35 per claim
- Indemnity..... \$200 per claim