

Grand Rapids Public Utilities Commission

Insurance Summary

June, 2022

League of MN Cities Insurance Trust (LMCIT)

- ✚ Not-for-profit organization formed in 1980
- ✚ Has paid a dividend to members every year since 1987

Presented by



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Property

Building, Contents & Income Coverage's

Coverage	2021-2022	2022-2023
Building	\$69,832,126	\$74,510,879
Business Personal Property	\$26,111,442	\$27,286,454
Business Income & Extra Expense	\$5,000,000	\$5,000,000
Property Deductible Per Occurrence / Aggregate	\$50,000 / \$100,000	\$50,000 / \$100,000
Income Deductible / Waiting Period	No waiting period	No waiting period

- ✦ The building limits were increased by 6.7% and the business personal property limits by 4.5% based on inflation factors that LMCIT receives from their property appraisal vendor. Other companies are indicating that construction costs nationwide have increased up to 20% this year and costs of goods are up over 10%, so this is a moderate increase.
- ✦ The business personal property limits have not been increased since 2020, so we strongly recommend that you increase them at least by the 4.5% included above. You should also consider whether any significant investments in new inventory, furnishings or equipment may require additional increases.
- ✦ Appraisals are performed every 7 years, and your next one should be in 2026. If construction costs have moderated by then, we will be able to adjust the building limits accordingly. These appraisals will contain estimated business personal property values, but those are much less dependable and should be compared to inventory and equipment lists.
- ✦ If you exceed the \$100,000 aggregate deductible in a policy term, the deductible per claim is reduced to \$2,500 for sewer backups and \$1,000 for all other types of losses.
- ✦ The deductible applies per occurrence but not per location, so in the event of a major storm only one deductible would apply to all damage at all locations.

Mobile Equipment Coverage

Coverage	Limit	Deductible
Unscheduled Equipment	\$250,000 per item	\$5,000
Hired and Leased Equipment	\$100,000 per item	\$50,000

- ✦ Items with a value higher than \$250,000 must be scheduled on the policy.

Other Property Coverage's

Coverage	Limit
Ordinance & Law – A, B, C	Included in Building Limit
Sewer Backup	\$500,000 if not Flood related
Debris Removal / Additional Limit	25% of Property Limit
Accounts Receivable	\$500,000
Valuable Papers & Records	\$500,000
Pollutant Cleanup Expenses	\$250,000

Crime Coverage

Coverage	Limit	Deductible
Limit Per Occurrence	\$250,000	\$500
Fraudulent Instructions Sublimit	\$50,000	\$500

- ✚ This covers theft of money and property by individuals other than employees, forgery or alteration and credit card fraud.
- ✚ “Fraudulent Instructions”, often referred to as “social engineering”, is loss caused by an employee authorizing a payment or a money transfer based on instructions received from someone posing as a supervisor, client, or vendor.

Fidelity & Faithful Performance Bond Coverage

Coverage	Limit	Deductible
Limit Per Occurrence	\$1,000,000	\$1,000

- ✚ This covers losses sustained by the commission or third parties due to an employee's theft, negligence, or breach of duty that they are unable to collect directly from the employee. Defense for these types of allegations is provided under the liability coverage, but not fines, judgments or damages owed by the employee. If LMCIT pays a claim under this Bond, they will pursue legal action against the employee to recover the money.

Liability

General Coverage's	
Coverage	Limit
Limit Per Occurrence	\$2,000,000 – Shared with Auto
General Aggregate	None
Products Liability Aggregate Limit	\$3,000,000
System Security Breach Claims Aggregate Limit	\$3,000,000
Failure to Supply Claims Aggregate Limit	\$3,000,000
Electromagnetic Field Claims Aggregate Limit	\$3,000,000
Limited Contamination Liability Aggregate Limit	\$3,000,000 Including Defense Costs
Land Use, Special Risk Claims Aggregate Limit	\$1,000,000
Outside Organization Claims Aggregate Limit	\$100,000
Medical Expenses	\$2,500 per person
Statutory Tort Limits	Apply
Deductible Per Occurrence	\$500
Retroactive Date	01/01/1983

- ✚ **Defense expenses are provided in addition to the limits shown above unless otherwise noted.**
- ✚ **The specific claim types listed above are the only ones subject to an annual aggregate limit. Other claims are subject to the limit per occurrence but not to an aggregate.**
- ✚ **Limited contamination coverage includes sudden and accidental release of pollutants, sewer backups, smoke from hostile fires and damages arising out of the deposit of dredged pollutants excavated as part of constructing or maintaining the utility supply systems.**
- ✚ **LMCIT's coverage form is extremely broad, incorporating general liability, directors' and officers' liability and employment practices liability together. It is designed to defend the commission against claims alleging officials or employees committed acts of malfeasance, neglect of duty and bad faith. It also provides defense for claims alleging harassment, discrimination, etc. brought by employees, individual third parties or regulatory agencies such as the EEOC.**

Auto Coverage

Coverage	Limit
Combined Single Limit Per Occurrence	\$2,000,000 – Shared with General Liability
Personal Injury Protection	Statutory Limits
Uninsured & Underinsured Motorist Liability	\$200,000 – Highest available with LMCIT
Comprehensive & Collision	\$1,000 deductible each, Actual Cash Value basis
Hired & Non-Owned Auto Liability	Included
Liability Deductible	\$1,000 Per Claim

Excess Liability Coverage

Coverage	Limit
Annual Aggregate Limit	\$3,000,000
Retention	None

 **These limits do not extend over failure to supply, cyber or pollution claims.**

First Party Cyber

Primary Coverage

Coverage	Limit	Deductible
Annual Aggregate Limit	\$500,000	\$250 Per Occurrence

- ✦ This is the maximum amount available to you during the policy term for all losses.
- ✦ Coverage applies to legal and professional IT service fees, costs to notify affected individuals and expenses to provide required credit monitoring & identity restoration services resulting from a data breach. It also covers loss of revenue, accounts receivable losses, computer equipment & electronic data restoration costs resulting from a cyber-attack on your system.
- ✦ The policy form does not specifically address coverage for monies paid in response to a ransomware or extortion attack. Many companies are removing or limiting this coverage, and these attackers are almost always on the Federal Government's list of terrorist and criminal entities, which makes paying them ransoms illegal.

Shared / Pooled Coverage Limits

Coverage	Limit	Deductible
Common Cause Event Limit	\$10,000,000	N/A
12 Month Shared Aggregate Limit	\$25,000,000	N/A

- ✦ If a cyber event or a related series of cyber events is large enough that the total losses for all members exceed the \$10,000,000 "Common Cause Event Limit", LMCIT will pro-rate the amount paid to each member. For example, if you had a \$60,000 loss and the total losses arising out of that event were \$15M, you would only receive $\$60,000 \times \$10M / \$15M = \$40,000$. This would apply to your annual aggregate of \$500,000.
- ✦ In any 12-month period where LMCIT's total losses for all claims exceeds the \$25M "12 Month Shared Aggregate Limit", they will retroactively apply a pro-rate factor to the total losses paid to each member during that period, using a formula like that above. This means they could potentially have to seek recovery from members of losses previously paid.
- ✦ We do have national brokerages with cyber divisions and experts that we work with to write this coverage in the independent market. If you feel that higher limits are needed, we can approach them to see what excess coverage may be available. The applications for this type of coverage are extensive and very detailed, so we will have to work closely with your IT staff to get them completed adequately.

Premiums

Annual Premiums		
Coverage	2021-2022	2022-2023
Property & Crime	\$45,059	\$64,142
Bond	\$1,174	\$1,142
General Liability	\$40,440	\$41,342
Auto	\$8,185	\$8,159
Excess Liability	\$16,080	\$17,872
First Party Cyber	\$500	\$4,368
Total	\$111,438	\$137,025

- Most of the property premium increase is due to rate changes by LMCIT, which are developed from their loss experience and projections of expected losses. Unfortunately, one of the types that had the most significant rate increase is water, sewer, and electric utility property.
- We have asked for all credits available on the property, and they agreed to give us a 5.5% credit. Property coverage is an area where we are seeing double digit increases from all companies on all types of industries. Skyrocketing construction costs have left many customers underinsured, so companies are paying much higher claims than they projected and rated for.
- The general liability experience mod increased 31%, from 0.993 to 1.006, which is the reason for the increase in this premium. This mod compares your loss history with the expected losses of a city of your size, like the workers comp experience mod.
- Cyber coverage used to be included in property, but LMCIT had to carve it out and reduce limits to control losses and protect the program, probably due to lack of reinsurance coverage available. Like all other companies, LMCIT is going to require members to implement increasingly complex loss control measures to qualify for coverage.
- LMCIT does pay dividends in this program, and in 2021 you received a dividend of \$5,195. They will announce any dividends for this year in December, so I do not know if you will receive one yet.