

TO: Mayor McFarland, Finance Committee  
FR: Mark Stevens  
DATE: January 5, 2023  
RE: 2023 liability insurance recommendations

### **Cyber Insurance**

I met with our insurance brokers two weeks ago to review the 2023 insurance pricing (effective 1/1/23). The regular package of insurance premiums was a 1.5% increase, within my anticipated amount for the budget. The one that jacked up higher, though, was cyber insurance. To maintain current coverages, the Chubb premiums moved from \$20,808 to \$24,995 (20%), and that was taking into consideration the changes in our IT practices (Multi-Factor Authentication, Endpoint Detection & Response) that DigiCorps has been helping us with in recent days.

I was introduced, for the first time, to a LWMMI cyber insurance product. I have been told that this was launched January 2021, and about 95 municipalities have purchased this product from LWMMI. This product is limited to municipalities that have the enhanced IT practices. The insurance offering is re-insured by a sizable cyber insurance company, Tokio Marine HCC.

Coverage differences:	<u>Chubb</u>	<u>LWMMI</u>
Cyber extortion	\$1,000,000	\$250,000
Cyber crime	\$0	\$250,000

I renewed the Chubb policy as of 1/1/23 to have coverage in place, but verified that it can be cancelled at the end of the month. I recommend that the coverage be transitioned to the LWMMI product effective February 1, 2023, at the annual premium cost of \$6,803.

### **Water Main Breakage**

I asked our agents to bring to my attention any possible gaps in coverages that other municipalities might purchase. There is a product that provides coverage for personal property of others caused by water main breakage that also includes no-fault sewer issues. The coverage acts as a secondary/excess coverage (following homeowner's policy) with a \$100,000 limit (\$300,000 aggregate per year).

The cost is \$1.75 per population count, so it would cost the City approximately \$42,000. This was not included for consideration in our budget. I do not recommend its pursuit for 2023 but look for direction from the committee as to whether this should be incorporated into future year's budget submissions.