

Decision Paper



DECISION PAPER

Property and Casualty Insurance Change in Coverage

October 19, 2018

ISSUE:

The board will consider additional property casualty coverage recommended to round out the policies covering the association and its potential liabilities along with upcoming new state law requirements. Additionally, consideration will be given to adjust the General Liability insurance policy deductible.

BACKGROUND:

As part of this year's property casualty insurance policies renewal, options for deductible changes were reviewed along with additional coverage. At the time of the September 22, 2018 board meeting the quotes on these options were not available and the board was apprised that the options would be coming to them at the October 27, 2018 board meeting.

Deductibles:

Review of the property or general liability deductibles as a way of further managing total insured value increase and out-of-pocket claims expense was completed. Management is recommending reviewing deductible levels for:

- General Liability
 - Quote for changing from \$10,000/claim to \$15,000/claim nets a \$6,000 reduction to the policy premium for the year.
 - Recommendation to change deductible from \$10,000 to \$15,000/claim.
- Property Liability
 - Quote for changing from \$5,000/claim to \$10,000/claim net a \$1,000 reduction to the policy premium from for the year.
 - No recommendation to change deductible.

Additional Coverage:

Management and Interwest Insurance Services, Inc. also investigated a variety of additional liability coverages as a risk management improvement measure. Coverage for consideration is as follows:

Additional Excess Liability Coverage- tiered options to go from X\$50M to X\$75M and/or X\$100M

The Umbrella and Excess Umbrella and Excess Crime perform this important function in our risk program. Taking strides towards addressing adequate coverage for General Liability, Property and Directors of Liability claims, the board of directors began approving increases to Umbrella and Excess Liability coverage starting in 2011 with the 2011/2012 renewal.



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Prior to the 2011/2012 renewal Umbrella and Excess liability coverage totaled \$15,000,000. For the 2011/2012 renewal, the Board approved at that time an increase to coverage from \$15,000,000 to \$25,000,000. Over the next following two renewals, the board approved additional coverage from \$25,000,000 to \$50,000,000. Tahoe Donner was able to secure a \$25,000,000 Umbrella policy following form on its General Liability, Property, Directors and Officers/Employment Practice Liability. Excess layers beyond the \$25,000,000 Umbrella policy are following form.

For this year's renewal Management was asked by members of the board to get quotes on additional excess coverage beyond the current \$50,000,000. These quotes came in two layers.

- \$25,000,000 over the current \$50,000,000 quote is from North River- a Crum & Forster company. The additional premium quote is \$44,850.
- \$25,000,000 X \$75,000,000 limit (total of \$100MM in excess) quote is from XL/Catlin (Indian Harbor). The additional premium quote is \$50,000.

At this time purchasing additional layers is not recommended as there is other coverage which would be added value to areas where there is existing limited coverage.

Crisis Response (Violent or malicious acts/active shooter) Liability Coverage

The General Liability policy has limited coverage for crisis response. This policy would add \$1,000,000 occurrence/aggregate limit above the \$25,000 limit for crisis management included in the General Liability policy.

- Premium quote is \$7,950
- Recommended new coverage.

Pollution Liability Coverage –

The current Property Liability policy has a \$100,000 limit pollution extension. Further analysis of the liabilities of the organization given its activities and proximity to sensitive areas, the costs for a pollution mitigation and remediation can be extension and quickly reach beyond the existing limits. A standalone pollution liability policy was reviewed with options below.

- Options
 - Colony – Quoted \$23,845 for a 1-year term (\$1,000,000/\$1,000,000 limits); \$47,723 for a 3-year term (\$1,000,000/\$1,000,000 limits); \$20,356 for a 1-year term (\$500,000/\$500,000 limits); \$40,740 for a 3-year term (\$500,000/\$500,000 limits)
 - Markel (Evanston) – Quoted \$17,082 for a 1-year term (\$1,000,000/\$2,000,000 limits)
 - Recommending standalone pollution liability coverage with Markel (Evanston)

Assembly Bill 2912 Fidelity Insurance Coverage Requirements-Effective January 1, 2019

The Board of Directors and Management are apprised of the newly approved Assembly Bill 2912 which goes into effect January 1, 2019. Interwest Insurance Services, Inc. has reviewed the Association liabilities and insufficient insurance coverage when the law comes into effect. Quotes were prepared for the association for the required coverage as detailed in the Interwest Insurance Services, Inc. letter prepared on this topic and included for reference. This new law results in the



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Association being required acquire additional coverage to cover the liabilities with total additional insurance expense of \$21,800 with effective date January 1, 2019.

OPTIONS

1.

- Increase to General Liability deductible from \$10,000 to \$15,000/claim for the policy year 10/1/18 to 10/1/19; resulting in net decrease to policy year premium of approximately \$6,000;
- Acquire Crises Response Liability Coverage with premium total of \$7,950 for policy year 10/1/18 to 10/1/19;
- Acquire standalone Pollution Liability Coverage with \$1,000,000/\$2,000,000 limits for premium total of \$17,082 for the policy year 10/1/18 to 10/1/19;
- Acquire required additional fidelity insurances coverages as detailed by Interwest Insurance LLC. for policy term of 01/01/19 to 10/1/19 for total crime coverage limit of \$20,000,000 for an additional premium of \$21,800.

Total Net Change: Increase in property casualty insurance premium \$40,832

2.

- Increase Excess Liability Coverage taking coverage from \$50,000,000 to \$75,000,000 with premium total for the policy year of \$44,850;
- Increase to General Liability deductible from \$10,000 to \$15,000/claim for the policy year 10/1/18 to 10/1/19; resulting in net decrease to policy year premium of approximately \$6,000;
- Acquire Crises Response Liability Coverage with premium total of \$7,950 for policy year 10/1/18 to 10/1/19;
- Acquire standalone Pollution Liability Coverage with \$1,000,000/\$2,000,000 limits for premium total of \$17,082 for the policy year 10/1/18 to 10/1/19;
- Acquire required additional fidelity insurances coverages detailed by Interwest Insurance LLC. for policy term of 01/01/19 to 10/1/19 for total crime coverage limit of \$20,000,000 for an additional premium of \$21,800.

Total Net Change: Increase in property casualty insurance premium \$85,682

3.

- Increase to General Liability deductible from \$10,000 to \$15,000/claim for the policy year 10/1/18 to 10/1/19; resulting in net decrease to policy year premium of approximately \$6,000;
- Acquire required additional fidelity insurances coverages detailed by Interwest Insurance LLC. for policy term of 01/01/19 to 10/1/19 for total crime coverage limit of \$20,000,000 for an additional premium of \$21,800.

Total Net Change: Increase in property casualty insurance premium 15,800



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4.

- Increase to General Liability deductible from \$10,000 to \$15,000/claim for the policy year 10/1/18 to 10/1/19; resulting in net decrease to policy year premium of approximately \$6,000;
- Acquire required additional fidelity insurances coverages detailed by Interwest Insurance LLC. for policy term of 01/01/19 to 10/1/19 for total crime coverage limit of \$20,000,000 for an additional premium of \$21,800.
- And other policy additions as directed by the board.

RECOMMENDATION:

Management recommends the Board of Directors consider approving **Option 1:**

1. Increase to General Liability deductible from \$10,000 to \$15,000/claim for the policy year 10/1/18 to 10/1/19; resulting in net decrease to policy year premium of \$6,000;
2. Acquire Crises Response Liability Coverage with \$1,000,000 limits for additional premium total of \$7,950 for policy year 10/1/18 to 10/1/19;
3. Acquire standalone Pollution Liability Coverage with \$1,000,000/\$2,000,000 limits for additional premium total of \$17,082 for the policy year 10/1/18 to 10/1/19;
4. Acquire required additional fidelity insurances coverages detailed by Interwest Insurance LLC. for policy term of 01/01/19 to 10/1/19 for total crime coverage limit of \$20,000,000 for an additional premium of \$21,800.

Prepared By: Annie Rosenfeld

Board Meeting Date: __October 27, 2018__

General Manager Approval to Place on the Agenda: _____

