

Denver Board of Water Commissioners

Title:

Denver Water Risk Management Insurance Policies

Meeting Date: 5/13/2009

Contract/Proposal

 Action by Consent Action Information

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On January 9, 2008, the Board adopted a resolution that resulted in the creation of a Risk Management Standing Committee. As outlined in Executive Guideline C-1, the committee is comprised of executive sponsors from Human Resources, Operations & Maintenance and Finance and is led by the Treasurer. Other staff may be added from time to time as the committee members deem necessary. The committee is generally tasked with overseeing the Board's risk management and providing recommendations to the Board as necessary.

The Board currently has six different insurance policies, excluding stop loss insurance for the self-insured health plan. As outlined on the attached table, four of these policies expire June 1, 2009. The Committee, along with the Board's independent broker, Van Gilder has solicited competitive proposals for these four policies. One of the goals of the Committee was to consolidate the property and equipment (boiler and machinery) policies with a single insurer.

The proposals on the Board's property, equipment breakdown (boiler & machinery), fiduciary and crime coverage were returned and evaluated at the end of April 2009. The request for proposals on the property and equipment were sent to 17 insurers of which 6 responded. The request for proposals on the fiduciary and crime loss coverage were sent to 3 insurers of which only two responded. An attachment showing a comparison of current coverage with the proposed coverage is provided for your reference.

Below is a summary of the proposals from the insurance carriers that the committee feels appropriate to move forward with.

Property & Equipment loss coverage

As part of the property and equipment insurance renewal an asset valuation assessment was completed on three out of four treatment plants and all of the hydro turbines. The assessment indicated that the Board's total insurable value of property and equipment nearly tripled, from under \$500 million to \$1.12 billion. Of the six carriers that responded for property and equipment breakdown coverage, XL Insurance has the lowest premium at \$553 thousand with the next lowest bid from Lexington at \$584 thousand. The maximum coverage amount in the proposal is capped at \$500 million at the recommendation of the Board's insurance broker. The broker believes and the committee concurs that the maximum coverage is adequate given the geographically dispersed nature of the Board's properties and equipment. The highest insured value (Marston Treatment Plant) is approximately \$304 million, well under the cap.

Fiduciary & Crime loss coverage

Travelers Insurance Company is the only carrier to submit a proposal for both fiduciary and crime coverage. Great American Insurance, the Board's current crime insurance provider, is slightly higher than Travelers for similar coverage. Travelers' proposed an annual premium of \$28 thousand for fiduciary loss with a \$10 million maximum coverage limit and originally proposed a premium of \$5 thousand for Crime loss with a maximum coverage limit of \$2 million; both of these were the low bid. Travelers is further reducing the crime loss coverage by \$1 thousand due to the consolidation of fiduciary and crime loss coverage with Travelers.

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Next Step

The next step in the Committee's process is to structure the terms of the Excess Liability and Workers Compensation insurance policies to also renew in June of each year. Currently the excess liability insurance policy expires October 1, 2009 and the workers compensation policy expires February 1, 2011. In the future the committee will ask the Board to extend these policies to a June 1st expiration date; this will complete the synchronizing of all insurance term dates.

RECOMMENDATION:

It is recommended that the Board award XL Insurance the contract to provide insurance coverage for property and equipment breakdown losses and Travelers for fiduciary and crime insurance coverage for the period starting on June 1, 2009 and ending on May 31, 2010.

Approvals: 
David LaFrance, Director Finance


Brian Good, Director Operations/Maintenance


Carla Elam-Floyd, Manager Human Resources


Manager Approval:

Documents Attached:  Schedule of insurance (2).xlsx
Microsoft Office Excel Worksheet
20.3 KB