

MILWAUKEE COUNTY
INTEROFFICE COMMUNICATION

DATE: November 13, 2018

TO: Supervisor Theodore Lipscomb, Chairman, County Board of Supervisors

FROM: Chris Luttrell, Director of Risk Management

SUBJECT: Request for Approval to Bind Milwaukee County's 2019 Property and Casualty Insurance Program

REQUEST

The Director of the Risk Management Division of the Department of Administrative Services requests approval to authorize Aon Risk Services and Milwaukee County to bind the 2019 property and casualty insurance program for Milwaukee County by purchasing the following insurance policies with an effective date of January 1, 2019:

- Public Entity Liability: Wisconsin County Mutual Insurance Corporation - \$903,837
- Property: Travelers Insurance - \$1,557,692
- Energy Systems: Liberty Mutual - \$59,506
- Airport Liability: AIG - \$120,643
- Fidelity / Crime: Great American - \$39,437
- Fiduciary: AIG (primary) - \$170,649
 - Chubb (1st XS) - \$68,250
 - Axis (2nd XS) - \$33,600
- Fine Arts: AXA - \$73,550

Insurance program premium total: **\$3,027,164**

BACKGROUND

Risk Management is responsible for procuring the property and casualty insurance program that protects the County against unexpected losses, damages, claims, and lawsuits. The current insurance coverages in place expire December 31, 2018.

Resolution File No. 15-405, approved by the Committee on Finance, Personnel, and Audit and adopted by the County Board at its June 25, 2015 meeting, granted the Risk Management Division of the Department of Administrative Services authority to renew the liability insurance program for Milwaukee County with the assistance of Aon Risk Services (Aon), a broker that was selected through a formal bid process. This initiative also specified that Risk Management will prepare a report to the Committee on Finance, Personnel, and Audit establishing a schedule of all insurance policies, and obtain County Board approval before any insurance coverage is bound.

work with WCMIC on exploring options to provide more coverage for our Cyber Liability exposures. WCMIC is exploring what is available to Milwaukee County through the reinsurance market.

Aon approached the commercial marketplace for the 2019 renewal to determine any viable PEL alternatives for the County's consideration. Ten carriers specializing in public entity coverage were engaged and Risk Management conducted a full-blown marketing effort given the industry concerns over recent claim activity in the law enforcement liability exposure. This campaign included holding an informational session with representatives from the Sheriff's Office, Corporation Counsel, Aon, and Risk Management with underwriters from the insurance industry. Representatives from seven insurance companies participated. Our current law enforcement leadership discussed the implementation of new policies, new procedures, a new jail medical provider request for proposal, new staffing, and more training to demonstrate that our current law enforcement exposure is well-managed. Three quotes for alternate coverage were obtained. The premiums were higher than the WCMIC renewal, and terms were not as favorable as the current policy coverage.

Risk Management is currently exploring alternative models of coverage for PEL exposure, including self-insurance, options for joining other pools, forming a captive, and the potential for joint insurance purchasing with other governments. A complete program overhaul analysis will be completed by first quarter of 2019 to allow for appropriate fiscal review by the Comptroller, input and consideration from the Office of Corporation Counsel, and budgeting projections for any recommended change in 2020.

The recommendation is to renew with WCMIC at the \$903,837 annual premium.

PROPERTY / ENERGY SYSTEMS

Property insurance provides coverage for our buildings, scheduled equipment, animals, and property out in the open. Given Milwaukee County's property asset portfolio of nearly \$3 billion dollars, Aon approached 50 insurers to market the property program for the 2016 policy year. The carrier that presented the most comprehensive coverage for the least amount of premium in 2016 was Travelers Insurance, which has an A++ Superior financial rating. Travelers Insurance has been Milwaukee carrier since and still offer excellent coverage at affordable rates.

For 2019, there is a 2% premium decrease, with the renewal cost of \$1,557,692, down \$33,774 under last year's premium of \$1,591,466. The coverage limits remain at \$500,000,000 per occurrence and provide coverage for the MCTS fleet, valued at over \$145,000,000. Various deductibles apply to different categories of property, and the Mitchell Parks Domes remain covered solely at actual cash value versus replacement cost in the event of a loss. The recommendation is to renew property insurance with Travelers at the decreased premium of \$1,557,692.

Energy Systems coverage, also known as Boiler and Machinery or Equipment Breakdown coverage, insures the machinery systems in buildings, such as electrical transformers, boilers, and heating, ventilation and air conditioning. In 2016, Milwaukee County moved this coverage from Cincinnati Insurance to Liberty Mutual for more comprehensive coverage terms. For the 2019 renewal, it is recommended to renew the energy systems policy with Liberty Mutual with a 1% premium increase at a total premium of \$59,506.

MEDICAL MALPRACTICE

Medical malpractice is insurance that responds to professional liabilities arising from healthcare operations at the Behavioral Health Division (BHD). This exposure area is one of three operational areas where the County is fully self-insured and may benefit from insurance. Risk Management has been exploring medical malpractice coverage over the past several years in this area with Aon, however, there have been several barriers to obtaining coverage. Last year, Aon approached seven carriers to quote the account. Six carriers declined to provide a coverage option and the one quote was cost prohibitive and not recommended. With BHD outsourcing long-term care operations, Risk Management will continue to work with the Comptroller's Office and the Office of Corporation Counsel to maintain a self-insurance reserve account to properly fund claims and expenses for the pending medical malpractice losses and on-going operations at BHD.

WORKERS' COMPENSATION

Another area where the County is fully self-insured and could potentially benefit from excess insurance coverage is workers' compensation. Workers' compensation covers liabilities associated with employee injuries. The County has been fully self-insured in this area for decades, and currently maintains full reserves to cover all associated liabilities. Coverage that may be beneficial is catastrophic excess coverage that would act as a stop gap in the event of a large-scale disaster.

Aon approached the market for workers' compensation excess insurance for the 2019 renewal, and one quote from Safety National Insurance was obtained. However, the premium is cost prohibitive at this point. Due to whole scale program changes implemented by Risk Management, Milwaukee County's workers' compensation claims experience in 2015, 2016, 2017 and 2018 improved dramatically compared to the historical averages, however, carriers typically analyze five-year averages when developing rates. As the market would respond more favorably to repeated years of positive experience, Aon will continue to monitor the potential to secure this coverage in future renewals.

ENVIRONMENTAL

Another gap in the existing program that was identified in prior years is environmental coverage. Environmental Legal Liability policies pay for third-party claims for cleanup, bodily injury and property damage caused by pre-existing or new pollution conditions emanating from specified sites. Coverage includes the costs related to investigate pollution conditions and to defend claims. This program gap was addressed through the sale and development of Crystal Ridge / Ballpark Commons. Milwaukee County and the developer were able to secure joint pollution coverage through this transaction and fill this gap. The coverage is prepaid through 2028.

RECOMMENDATION

The Director of Risk Management recommends approval of the attached resolution authorizing Aon Risk Services and the Risk Management Division of the Department of Administrative Services to bind the 2018 property and casualty insurance program for Milwaukee County as follows:

- Public Entity Liability: Wisconsin County Mutual Insurance Corporation - \$903,837
- Property: Travelers Insurance - \$1,557,692