

**Carson City  
Agenda Report**

**Date Submitted:** June 07, 2013

**Agenda Date Requested:** June 20, 2013

**Time Requested:** 10 minutes

**To:** Mayor and Supervisors

**From:** Nick Providenti, Director of Finance

**Subject Title:** For Possible Action: Action to enter into an excess liability insurance policy with New York Marine Insurance Company for excess workers compensation liability insurance services for a total premium of \$83,549.

**Staff Summary:** Staff is recommending that Carson City switch our workers compensation excess liability insurance services to New York Marine Insurance Company for FY 13-14 based on the quotes received from all carriers for this insurance. The total premiums for FY 12-13 were \$81,971 so the total increase would be approximately 2%.

**Type of Action Requested:** (check one)

Resolution       Ordinance  
 Formal Action/Motion       Other (Specify)

**Does This Action Require A Business Impact Statement:**  Yes  No

**Recommended Board Action:** I move to enter into an excess liability insurance policy with New York Marine Insurance Company for excess workers compensation liability insurance services for a total premium of \$83,549.

**Explanation for Recommended Board Action:** A copy of the coverage's and the premiums is included. We anticipate that the city will continue to save approximately \$900,000 in FY 12-13 and in FY 13-14 based on the premiums we were paying to the Public Agency Compensation Trust (PACT).

**Applicable Statute, Code, Policy, Rule or Regulation:** n/a

**Fiscal Impact:** \$83,549 in insurance premiums.

**Explanation of Impact:** Savings estimated at \$900,000- \$1,000,000 when compared to the fully insured plan with the PACT which will allow us to reduce our premiums paid by the funds to the Worker's Compensation Fund.

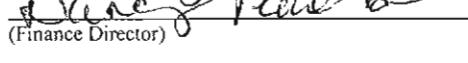
**Funding Source:** Workers' Compensation Insurance Fund

**Alternatives:** Elect not to enter in the agreements and pursue other options for worker's

compensation insurance.

**Supporting Material:** A copy of the quotes.

**Prepared By:** Nick Providenti

**Reviewed By:**   
(Department Head)  
  
(City Manager)  
  
(District Attorney)  
  
(Finance Director)

Date: 6/11/13

Date: 6/11/13

Date: 6/11/13

Date: 6/11/13

**Board Action Taken:**

Motion: \_\_\_\_\_ 1) \_\_\_\_\_ Aye/Nay  
2) \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
(Vote Recorded By)

Wells Fargo Insurance Services USA, Inc.  
Reno, Nevada  
June 7, 2013

Carson City Consolidated Municipality  
Insurance Renewal Quote Summary  
Policy Term: July 1, 2013 to July 1, 2014

Expiring Program					Renewal Program			
Coverage	Carrier A.M. Best Rating	Limits of Insurance	Deductible/SIR	Annual Premium	Carrier A.M. Best Rating	Limits of Insurance	Deductible/SIR	Annual Premium
Excess Workers Comp	Midwest Employers A+ XV	Statutory WC \$1,000,000 EL	\$2,000,000/ \$750,000	\$81,971	New York Marine A IX	Statutory WC \$1,000,000 EL	\$2,000,000/ \$750,000	\$84,048
Total				\$81,971	Total			\$84,048

This summary neither amends nor alters the insurance contract. Specific questions on all policy terms and conditions should be referred to your Wells Fargo Insurance Services representative and the policy itself should be reviewed.

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# Carson City Consolidated Municipality

## *Proposal of Insurance*

## *Excess Self-Insured Workers' Compensation and Employer's Liability*

*Policy Term: July 1, 2013 to July 1, 2014*

Presented by:

Gerry Roberts, Senior Vice President  
Brandon Lewis, CPCU  
Margo May, CIC-CISR-ACSR

Wells Fargo Ins Services USA, Inc. (REN)  
604 W. Moana Lane  
Reno, NV 89509-4903  
Office: (775) 827-1555  
Fax: (866) 612-8440  
[www.wellsfargo.com/wfis](http://www.wellsfargo.com/wfis)

June 6, 2013

This proposal is merely a descriptive summary of coverage provided by the insurance companies being proposed and should be used for reference purposes only. This is a quotation of coverage only. It is not a binder. This proposal does not amend or alter the insurance contract.

## Market Summary

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Insurer	A.M. Best Rating	Financial Size Category
Midwest Employers Casualty	A+ (Superior)	XV (\$2 Billion or greater)
New York Marine & General Ins. Co.	A (Excellent)	IX (\$250 Million to \$500 Million)

### A.M. Best Financial Ratings

A.M. Best's Financial Strength Rating is an independent opinion, based on a comprehensive quantitative and qualitative evaluation, of a company's balance sheet strength, operating performance and business profile. Wells Fargo Insurance Services does not guarantee the financial stability of any insurance carrier.

### A.M. Best Financial Size Categories (FSC)

To enhance the usefulness of their ratings, A.M. Best assigns each letter rated (A++ through D) insurance company a Financial Size Category (FSC). The FSC is designed to provide a convenient indicator of the size of a company in terms of its statutory surplus and related accounts.

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Please refer to the policy contract for specific terms, conditions, limitations and exclusions.

## Named Insureds

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**Note:** Any entity not named as an insured may not be covered under this policy. This includes partnerships, joint ventures and newly formed entities of any type.

- Carson City Consolidated Municipality

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## Premium, Limits and Retentions

Premium Rating	Expiring 2012/2013 (Midwest)	Renewal #1 2013/2014 (Midwest)	Renewal #2 2013/2014 (Midwest)	Renewal #3 2013/2014 (New York)
Estimated Capped Payroll	\$21,452,703	\$22,032,864	\$22,032,864	\$22,032,864
Premium Rate / \$100 Payroll	\$0.3821	\$0.4203	\$0.3821	\$0.3792
<b>Estimated Annual Premium</b>	<b>\$81,971</b>	<b>\$92,604</b>	<b>\$84,188</b>	<b>\$83,549</b>
<i>Policy Period Minimum Premium</i>	\$73,774	\$83,344	\$84,188	\$75,643
Commission	6%	6%	6%	10%

Limits of Insurance	Expiring	Renewal Option #1	Renewal Option #2	Renewal Option #3
Workers' Compensation	Statutory	Statutory	Statutory	Statutory
Employer's Liability	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000

Self-Insured Retentions	Expiring	Renewal Option #1	Renewal Option #2	Renewal Option #3
Police/Fire (Presumptive Benefits)	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000
All Other Employees	\$750,000	\$750,000	<b>\$1,000,000</b>	\$750,000

As a course of business, Wells Fargo Insurance Services USA, Inc. is required to pay premiums to insurers on a monthly basis. In return we appreciate timely payments by our customers. Outstanding balances over 30 days may be subject to cancellation.

**Note: Payment calculations may vary slightly upon policy issuance.**

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## Terms and Conditions

Endorsements (including but not limited to)	Midwest Employers	New York Marine
Waiver of Subrogation <b>(as required by written contract)</b>	Included	Included
Communicable Disease Endorsement <b>(one retention for same communicable disease as defined)</b>	\$3M WC/ \$1M EL	\$3M WC/ \$1M EL
Deletion of Commutation Clause <b>(removes carrier's ability to commute a claim after 36 months)</b>	Included	Included
Deletion of Late Reporting Clause	Included	Included
Definition of Payroll Pertaining to Volunteer Workers <b>(Deemed Payroll for Volunteer Workers)</b>	Included	Included
Aircraft Coverage	Excluded (leased aircraft)	Excluded (leased aircraft)
Notice of Cancellation	60 Days	60 Days

### Midwest Quote Subjectivities

- Midwest requires notification of any aircraft changes occurring during the policy period
- Midwest requests verification regarding the location of the TPA servicing office.
- A signed application must be received prior to policy issuance.

### New York Marine Quote Subjectivities:

- Final Premium will be at least and not less than the minimum premium stated above.
- Require full implementation of safety/loss control program and retention of TPA, approved by New York Marine and General Insurance Company, throughout the policy period.
- Receipt of completed and signed excess application within 30 days of binding.
- Receipt of Excel formatted employee concentration information by location with physical addresses included.
- Receipt of 5 years loss run summaries valued within 90 days of the inception date of this policy and without adverse development. Please confirm valuation date of loss runs provided.
- The Terrorism Charge is calculated separately and not included in the total rate above. It is subject to adjustment at audit.
- Applicable state endorsements plus other coverage additions/exclusions may apply. All other endorsements desired must be requested prior to binding and are subject to approval.
- Please sign and return the attached Terrorism Disclosure. Same must be received within thirty (30) days of binding.
- New York Marine and General Insurance Company has the right, but not the obligation, to audit the TPA listed above.

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## Notice of Terrorism Insurance Coverage

### Midwest Employers

Coverage for acts of terrorism is included in your policy. You are hereby notified that under the Terrorism Risk Insurance Act, as amended in 2007, the definition of act of terrorism has changed. As defined in Section 102(1) of the Act: The term "act of terrorism" means any act that is certified by the Secretary of the Treasury—in concurrence with the Secretary of State, and the Attorney General of the United States—to be an act of terrorism; to be a violent act or an act that is dangerous to human life, property, or infrastructure; to have resulted in damage within the United States, or outside the United States in the case of certain air carriers or vessels or the premises of a United States mission; and to have been committed by an individual or individuals as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion. Under your coverage, any losses resulting from certified acts of terrorism may be partially reimbursed by the United States Government under a formula established by the Terrorism Risk Insurance Act, as amended. However, your policy may contain other exclusions which might affect your coverage, such as an exclusion for nuclear events. Under the formula, the United States Government generally reimburses 85% of covered terrorism losses exceeding the statutorily established deductible paid by the insurance company providing the coverage. The Terrorism Risk Insurance Act, as amended, contains a \$100 billion cap that limits U.S. Government reimbursement as well as insurers' liability for losses resulting from certified acts of terrorism when the amount of such losses exceeds \$100 billion in any one calendar year. If the aggregate insured losses for all insurers exceed \$100 billion, your coverage may be reduced. The portion of your annual premium that is attributable to coverage for acts of terrorism is \$499, and does not include any charges for the portion of losses covered by the United States government under the Act.

*The portion of the Insured's annual premium that is attributable to coverage for certified "acts of terrorism" may be adjustable at audit and is calculated based on a percentage of the Insured's total audited payroll.*

### New York Marine

Coverage for acts of terrorism is included in your policy. You are hereby notified that under the Terrorism Risk Insurance Act, as amended in 2007, the definition of act of terrorism has changed. As defined in Section 102(1) of the Act: The term "act of terrorism" means any act that is certified by the Secretary of the Treasury—in concurrence with the Secretary of State, and the Attorney General of the United States—to be an act of terrorism; to be a violent act or an act that is dangerous to human life, property, or infrastructure; to have resulted in damage within the United States, or outside the United States in the case of certain air carriers or vessels or the premises of a United States mission; and to have been committed by an individual or individuals as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion. Under your coverage, any losses resulting from certified acts of terrorism may be partially reimbursed by the United States Government under a formula established by the Terrorism Risk Insurance Act, as amended. However, your policy may contain other exclusions which might affect your coverage, such as an exclusion for nuclear events. Under the formula, the United States Government generally reimburses 85% of covered terrorism losses exceeding the statutorily established deductible paid by the insurance company providing the coverage. The Terrorism Risk Insurance Act, as amended, contains a \$100 billion cap that limits U.S. Government reimbursement as well as insurers' liability for losses resulting from certified acts of terrorism when the amount of such losses exceeds \$100 billion in any one calendar year. If the aggregate insured losses for all insurers exceed \$100 billion, your coverage may be reduced. The portion of your annual premium that is attributable to coverage for acts of terrorism is \$499, and does not include any charges for the portion of losses covered by the United States government under the Act.

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Please refer to the policy contract for specific terms, conditions, limitations and exclusions.

## Transparency and Disclosure

Insurance is a highly regulated, competitive industry that fuels the US economy and protects individuals and commercial entities from losses. There is nothing more important to our industry and to Wells Fargo Insurance Services than maintaining the trust of our customers and conducting business with the utmost integrity. We believe that our leadership role on disclosure should tie directly to our core values. Among these we state that we:

- Value and reward open, honest, two-way communication
- Do what is right for the customer
- Talk and act with the customer in mind
- Exceed our customers' expectations

Wells Fargo Insurance Services is proactively providing customers with complete transparency on standard and contingent commission income. Wells Fargo Insurance Services is taking a leadership role using the new National Association of Insurance Commissioners (NAIC) model act.

We receive compensation from the insurance companies we represent when placing your insurance. Our compensation is usually a percentage of the premium you pay for your insurance policy or bond (a "commission"), which is paid to us by the insurance companies for placing and servicing your insurance or bonds with them. Intermediaries, such as wholesale brokers, may sometimes be used to access certain insurance companies. Such intermediaries will allocate a portion of the compensation from the insurance companies to us and may, in some cases, be an affiliated company.

We receive payments from insurance companies to defray the cost of services provided for them, including advertising, training, certain employee compensation, and other expenses.

We earn interest on premiums received from you and forwarded to the insurance companies through our bank accounts.

Some of the insurance companies we represent may pay us additional commissions, sometimes referred to as contingent or bonus commissions, which may be based on the total volume of business we sell for them, and/or the growth rate of that business, retention rate, claims loss ratio, or other factors considering our entire book of business with an insurance company for a designated period of time.

The amount of premium you pay for a policy may change over the term of the policy. For example, your endorsement requests will affect the premium. Should the premium for any of your policies change, the amount of compensation paid to us by the insurance company would change accordingly.

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## Important disclosures

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Products and services are offered through Wells Fargo Insurance Services USA, Inc. and Wells Fargo Insurance Services of West Virginia, Inc., non-bank insurance agency affiliates of Wells Fargo & Company.

Products and services are underwritten by unaffiliated insurance companies except crop and flood insurance, which may be underwritten by an affiliate, Rural Community Insurance Company. Some services require additional fees and may be offered directly through third-party providers. Banking and insurance decisions are made independently and do not influence each other.

The coverage and limits presented in this proposal are a simplified outline of the respective insurance policies. The actual policies issued by the insurance company govern the coverage provided, and should be read for coverage terms, limits of liability, definitions and conditions pertaining to your specific insurance program.

This proposal is based on exposures to loss and other underwriting information provided by the customer and made known to Wells Fargo Insurance Services USA, Inc. You must report all additions or corrections to these exposures so we may arrange the proper coverage.

All property values used in this proposal were provided by the customer and should be carefully reviewed and/or appraised for accuracy. Higher limits and additional coverage may be available upon request.

Wells Fargo Insurance Services USA, Inc. has attempted to place your business insurance with markets that have displayed evidence of being properly managed and of strong financial condition. For more information about Wells Fargo Insurance Services USA, Inc. insurance carrier selection and monitoring, please refer to the section on Evaluating Financial Strength and Capacity of Insurance Markets. In the pages that follow, there may be proposals from companies that are identified as Non-admitted or Surplus Lines insurers. This designation means the insurance company is not licensed to do business in your state of domicile. The facts you should consider before placing coverage with a Non-admitted insurance company are as follows:

- If the Insurance Company becomes insolvent, the state insolvency fund will **not** cover any claims.
- Non-admitted carriers do not have to file their rates with the state and therefore their rates are not regulated.

Flatiron Capital, a premium finance company, is an affiliate of Wells Fargo Insurance Services USA, Inc. The use of Flatiron Capital is not a requirement for the purchase of insurance.

The extension of credit or the provision of bank products or services through Wells Fargo Bank, N.A., or its affiliates is not conditioned on and does not require the purchase of insurance through Wells Fargo Insurance Services USA, Inc.

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## Evaluating Financial Strength and Capacity of Insurance Markets

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Wells Fargo Insurance Services is not a guarantor of the solvency of carriers with which our agents place business. However, our objective is to place customer risks with insurers and reinsurers that are financially sound. We authorize only carriers that we believe, at the time of placement, have the financial ability to fulfill their claim payment obligations to our customers. We base our recommendations on in-depth financial analysis and other relevant information that is available at the time of placement.

Wells Fargo Insurance Services has appointed a group of experienced insurance professionals to serve on a Market Security Committee. This committee is responsible for establishing and utilizing guidelines for the selection of insurers and supporting Wells Fargo Insurance Services team members in their efforts to utilize financially sound insurers. In assessing the financial strength of insurers, the committee relies upon the opinions and assessments of recognized rating agencies and other carrier review companies.

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## Insurance Company Financial Information

### Objective Assessments Help Insurance Buyers Make Informed Decisions

As your insurance broker, one of our objectives is to provide you with information and assessments published by rating agencies on the financial stability of the insurers currently underwriting your coverage, or of those insurers we recommend you consider.

The A.M. Best rating for the insurance companies represented in this proposal are as follows:

Name	Admitted	Rating Agency Assessment	Surplus
Midwest Employers Casualty	Yes	A+ (Superior)	XV (\$2 Billion or greater)
New York Marine & General Ins. Co.	Yes	A (Excellent)	IX (\$250 Million to \$500 Million)

### Financial Strength Ratings

A.M. Best Rating	S&P Rating	Rating Agency Assessment
A++, A+	AAA	Superior
A, A-	AAA, AA, AA-	Excellent
B++, B+	A+, A, A-	Good
B, B-	BBB+, BBB, BBB-	Fair, Vulnerable to adverse conditions
C++, C+	BB+, BB, BB-	Marginal, Financial security may be adequate
C, C-	B+, B, B-	Weak, vulnerable
D, E, F	CCC, CC, C	Poor, Extremely Vulnerable or Failed

### Financial Size Ratings

A.M. Best also assigns categories to insurance companies to indicate levels of statutory surplus and related funds.

AM Best Financial Size Category	Adjusted Policyholder Surplus (in millions)	AM Best Financial Size Category	Adjusted Policyholder Surplus (in millions)
I	Less than \$1	IX	\$250 - \$500
II	\$1- \$2	X	\$500 - \$750
III	\$2 - 5	XI	\$750 - \$1,000
IV	\$5 - \$10	XII	\$1,000 - \$1,250
V	\$10 - \$25	XIII	\$1,250 - \$1,500
VI	\$25 - \$50	XIV	\$1,500 - \$2,000
VII	\$50 - \$100	XV	Above \$2,000
VIII	\$100 - \$250		

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