



December 10, 2015

Commissioner John Franck
City of Saratoga Springs
City Hall
474 Broadway
Saratoga Springs NY 12866

Dear Commissioner Franck,

Thank you for the opportunity to provide the City of Saratoga Springs with insurance renewal proposals for the 1/1/16 – 1/1/17 policy period.

As per discussions with the Director of Risk and Safety, Adirondack Trust Insurance approached four (4) insurance carriers for the 2016-17 renewal term. The Carriers approached and their responses are as follows:

Marketing Summary

Travelers (Incumbent carrier)	Quote enclosed
Glatfelter Public Practice	Quote enclosed
W.R. Berkley	Quote enclosed (casualty lines only)
Selective	Declined to offer coverage

Contents

Enclosed within please find the following information:

- Insurance Coverage Summary comparing all markets providing quotations
- Insurance Premium Summary with three premium comparisons
- Copies of the insurance carrier quotes as presented

The outcome, which includes a broadening of coverage and a reduction in premium, is extremely favorable for the City of Saratoga Springs. These results are due in large part to the information put together by the Director of Risk and Safety, Marilyn Rivers. Her attention to detail and overall attention to the mitigation of risk for the City of Saratoga Springs is unparalleled and these results are reflective of those efforts.

Recommendation

We recommend that the City of Saratoga Springs renew with the incumbent carrier, Travelers.

While all proposals were within the confines of your approved budget amount, Travelers has provided the best combination of price and coverage. The following is a brief narrative summarizing the quotation provided by each of the three carriers.



A Division of Adirondack Trust Company Financial Services Inc.

Travelers

Travelers has offered a comprehensive program for all Property & Casualty lines of coverage, and has done so at the lowest of the three premium quotations. They have quoted all of the required lines of coverage as requested, and within those lines of coverage, they have offered the broadest terms and conditions.

Travelers has increased property values to keep pace with inflation on a variety of buildings. Further, included in its premium quotation, Travelers has added \$1,000,000 of Debris Removal coverage, Third Party coverage to the Employment Practices Liability policy, and has increased the aggregate limit of insurance for Public Officials from \$1,000,000 to \$3,000,000.

Furthermore, Travelers has worked well with the Director of Risk and Safety from a claims handling and risk management perspective, they are experts in the field of municipal insurance and are capable (and willing) to provide significant loss control resources to the City. Travelers program is the best combination of price, coverage and service.

Finally, Travelers, has offered a three year rate assurance agreement. With premiums below 2011 levels and with substantially higher exposures in several areas, the Travelers rate assurance agreement is worth careful consideration.

Glatfelter Public Practice – American Alternative Insurance Corporation

Glatfelter is a Managing General Agency for American Alternative Insurance Corporations insurance policies. They provided a comprehensive program with nearly all coverage lines required quoted – they would rely on Travelers for only the Spirit of Life Statue.

While competitive on many of the lines quoted, ultimately Glatfelter's premium was just slightly higher than Travelers. In addition to their premium quotation, Glatfelter fell short in a couple of key coverage areas. Glatfelter only offers \$10 Million of Excess limits of insurance (the City presently carries \$12 Million). Because of this limitation, Glatfelter's quote must be paired with another carrier's quote for excess liability. In this particular case we have to introduce a wholesaler for the excess limit and this also introduces an additional carrier in to the mix when, with Travelers, that is not necessary. We recommend maintaining as many lines of coverage with one carrier as possible in order to achieve both negotiating power with the carrier, and to make certain that there is sufficient total premium available so that claims on any one line of coverage do not adversely impact the City's loss ratio. Furthermore, the introduction of an MGA and a wholesaler adds another layer of communication on many claims and underwriting matters.

Other issues with the Glatfelter program are; Glatfelter doesn't composite rate automobile coverage – as a result, each add and delete of a vehicle would result in additional premium or return premium; Glatfelter's auto liability deductible is \$25,000 (currently \$0 with Travelers) - this will likely add an additional \$20,000 to \$50,000 per year (on average) of additional "self-



insured” cost of risk to the City; The law enforcement deductible applies to defense expenses – as a result one suit equals additional expense

Ultimately, Glatfelter’s premium and coverage offering fell short of the Travelers program. We do not recommend the Glatfelter Program.

WR Berkley

While competitive on the lines quoted, Berkley only quoted the casualty insurance lines of coverage. Berkley did not offer quotations for Property insurance and only offered \$10 Million in per occurrence in liability limits (the City presently carries \$13 Million). Because of these limitations, Berkley’s casualty quote must be paired with another carrier’s property quote and a third carrier for excess liability. This introduces two additional carriers into the mix when, with Travelers, this is not necessary. Once again, we recommend maintaining as many lines of coverage with one carrier as possible in order to achieve both negotiating power and to make certain that there’s sufficient total premium available so as to not adversely impact overall experience in the event of claims activity on any one line of coverage.

Additionally, based on my conversations with Berkley Public Entity Managers and Underwriters, their overall philosophy is different than Travelers. My understanding of their model is that Berkley is typically not interested in being involved in the “working layer” of insurance. In other words, their preference is to offer coverage above a Self-Insured Retention (SIR) or large deductible where a Third Party Administrator handles the claims. While they have offered a \$25,000 deductible quote in an effort to match the Travelers program, by all evidence, this is an exception to their rule. It follows then, that they’d be pushing the City, in my opinion, to accept more risk, more self-insurance, and ultimately more increased variable costs for future renewals. This is evidenced by Berkley’s offering of several higher deductible options.

On to other coverage issues - The deductible for auto liability is \$25,000, the deductible for auto physical damage is \$5,000 (\$3,000 more than Travelers) and coverage is capped at \$1,000,000 per accident and \$2,000,000 per policy. Based on historic auto loss ratios, this coverage limitation will likely add an additional \$35,000 to \$50,000 per year (on average) of additional, “self-insured” cost of risk to the City.

Finally, Berkley has capped some limits of insurance and defense expenses that represent significant catastrophic exposure to the City of Saratoga Springs: They are:

- Abuse and Molestation coverage is limited to \$1,000,000 (Travelers covers through the umbrella).
- Failure to Supply water is limited to \$100,000

Ultimately, these deficiencies outweigh the attributes of Berkley’s program. We do not recommend the W R Berkley program for the City of Saratoga Springs.



Conclusion

In summary, we recommend that the City of Saratoga Springs renew with the, Travelers, and accept their offer of a three year rate assurance agreement. While all proposals were within the confines of your approved budget amount, Travelers provided the best combination of price and coverage and was the only market to offer a 3 year rate agreement.

Respectfully submitted,

Matthew D'Abate, CIC
Vice President
Adirondack Trust Insurance