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Insurance Counselors Since 1936

TOWN OF DRYDEN
PROPERTY AND CASUALTY INSURANCE PROPOSAL
MAY 13, 2004

The following is a renewal proposal from the Selective Insurance Company for the insurance program for the Town of Dryden. Coverage will be renewed 06/01/04 for the insurance package.

PROPERTY

Coverage will continue to be written, for both building and contents, on a blanket replacement value basis in the amount of \$2,435,736. This means that \$2,435,736 would be available to replace any structure and its contents, listed in the policy. By providing coverage in this manner, the Town would be assured of having enough coverage to replace any structures and contents, owned by the Town.

Coverage is provided for any direct physical loss to buildings or contents, subject to specific standard exclusions in the policy, i.e. Flood, Earthquake, Law or Ordinance, etc. A \$2,500 Deductible would apply to all property losses.

GENERAL LIABILITY

The Commercial General Liability policy provides liability coverage for Bodily Injury and Property Damage arising out of the operations of the Town. It also covers the existence hazards of streets and roads that the Town is responsible for maintaining. Listed below are some of the coverage's and limits that would be provided by the General Liability policy:

Occurrence Limit	\$1,000,000
Personal and Advertising Injury	\$1,000,000
General Aggregate	\$3,000,000
Products and Completed Operations	\$1,000,000

The premium is based upon the rateable expenditures in the budget and the road miles that the Town is responsible for maintaining.

AUTOMOBILE

The Automobile policy covers all owned, non-owned and hired automobiles used by the Town. A coverage amount of \$1,000,000 is provided for Bodily Injury and Property Damage liability. I have listed the types and amounts of coverage below:

Combined Single Limit of Liability	\$1,000,000
Supplementary Uninsured/Underinsured Coverage	\$50,000
Personal Injury Protection	\$75,000
Hired & Non-Owned Liability	\$1,000,000

***Recommendation: Increase Uninsured Motorist Coverage to \$1,000,000 and Personal Injury Protection to \$150,000. Annual cost approximately \$400.**

CONTRACTORS EQUIPMENT FLOATER

This policy covers contractor's equipment owned by the Town. The physical damage coverage (Comprehensive and Collision) for larger Town vehicles, like Dump trucks, is provided by this policy. This is a more economical way to provide this coverage than insuring for Comprehensive and Collision on the Automobile policy.

PUBLIC EMPLOYEES BLANKET BOND

Public Employee Dishonesty	\$30,000
Excess Limit of Insurance for Specified Positions:	
Town Supervisor	\$30,000
Tax Collector	\$750,576

***Recommendation: This coverage should be reviewed by representatives of the town to make sure the coverage amounts are adequate. I would be glad to assist with this review.**

UMBRELLA

The Umbrella policy provides excess liability coverage of \$5,000,000 over the primary limits of liability on the General Liability, Public Officials Liability and Automobile Liability. This combines to provide the Town a total of \$6,000,000 of coverage for any judgments related to the above policies. The Town increased the coverage amount from \$1,000,000 to \$5,000,000 in 1999.

BOILER & MACHINERY

The policy covers a wide range of equipment including breakdown of such things as mechanical or electrical equipment, boilers and pressure vessels, air conditioning and refrigeration equipment, computer and communication systems.

OWNERS & CONTRACTORS PROTECTIVE LIABILITY (OCP)

An OCP policy is provided in the amount of \$1,000,000 for special hauling and work permits required by the State of New York and Tompkins County.

PUBLIC OFFICIALS LIABILITY

This policy covers Town Officials for civil claim or claims first made against the Town because of a "wrongful act" rendered in discharging their duties on behalf of the Town. A "wrongful act" means any alleged or actual breach of duty, or violation of federal, state, or local civil rights, by an insured while acting within the scope of his/her duties as a public official.

The limit of liability is \$1,000,000 with a \$5,000 retention limit (Deductible).

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SELECTIVE INSURANCE COMPANY
PREMIUM SUMMARY

COVERAGE	2003-2004	2004-2005
Property	\$3,748	\$4,179
General Liability	\$17,757	\$20,199
Automobile	\$19,140	\$18,896
Inland Marine	\$5,743	\$6,433
Public Officials	\$8,330	\$9,109
Umbrella	\$11,811	\$12,282
Crime	\$588	\$588
OCP (Owners and Contractors Protective)	\$250	\$255
Boiler & Machinery	INCL.	INCL.
TOTAL ANNUAL PREMIUM	\$67,367*	\$71,941*
Without Terrorism Coverage	\$65,389	\$69,928

*These figures both include the cost of Terrorism insurance coverage. Last year the Town of Dryden chose not to carry terrorism coverage for a reduction in premium of \$1,978. Therefore the total premium last year was \$65,389 (\$67,367-\$1,978). This year's premium would be \$69,928 without Terrorism coverage (\$71,941-\$2,013).

As a result of the Terrorism Risk Insurance Act of 2002, insurance companies are required to continue to offer their commercial insured's terrorism coverage and specify the cost of the coverage. The Terrorism Risk Insurance Act is a program where the Federal Government and Insurers will share the risk of loss from a terrorist attack. Terrorism coverage has always been provided as a covered event in the Town's policies as it was not excluded in any of the coverage forms. Selective has advised that the total premium for Terrorism coverage in your Property, General Liability, Inland Marine, Boiler & Machinery and Automobile policies is \$2,013. The Town of Dryden has the option to reject this coverage and not participate in the Terrorism Risk Insurance Act. If the Town chose to reject coverage it would not be able to collect for losses due to Terrorism.

As the insurance advisor to the Town I would be happy to discuss this specific matter with you in more detail.

I have provided a summary of the Town's previous insurance premiums and it shows pretty dramatically the time frames that the insurance industry was subsidizing its writings by its investment income (a time in the industry that is known as a "soft market"). Then as 2000 closed and investment income diminished significantly, insurance companies were forced to address their loss in income and focus on generating income from their insurance writings. This return to conservative underwriting and increased premiums is known as a "hard market". The insurance industry was in a cycle of soft market conditions from 1995 to 2001. Then as the industry entered the hard market cycle in 2001, market conditions were further complicated by the huge losses experienced in the September 11th attacks. While difficult to predict, it is likely the hard market cycle will continue for a number of years and could be further impacted by another terrorist attack on our country.

SUMMARY OF PREVIOUS ANNUAL PREMIUMS FOR TOWN OF DRYDEN

1993-1994	\$58,260*
1994-1995	\$65,889*
1995-1996	\$47,005**
1996-1997	\$50,884***
1997-1998	\$51,146
1998-1999	\$41,232
1999-2000	\$46,201****
2000-2001	\$41,184
2001-2002	\$48,873
2002-2003	\$59,868
2003-2004	\$65,389
2004-2005	\$69,928

* No Umbrella or Public Officials coverage was carried in these years.

**Umbrella policy purchased, but no Public Officials Liability.

***Public Officials Policy was purchased and continued to present.


****Umbrella Liability limit was increased from \$1,000,000 to \$5,000,000.

To give some perspective, had insurance premiums increased since 1993 (as far back as our records go) at an annual rate of 4%, keeping in mind the Town did not carry an Umbrella or Public Officials Liability policy at that time, the annual premium today would be \$89,688.

The George B. Bailey Agency, Inc. currently handles the insurance programs for the following Towns and Villages:

- 1. Town of Caroline
- 2. Town of Cortlandville
- 3. Town of Dryden
- 4. Village of Dryden
- 5. Village of Freeville
- 6. Village of Homer
- 7. Town of Lansing
- 8. Village of Lansing
- 9. Village of Marathon
- 10. Village of McGraw
- 11. Town of Preble
- 12. Town of Scott
- 13. Town of Harford

Thank you very much for this opportunity to be of service. We appreciate the trust the Town of Dryden has placed in us as its insurance representative.

With Warmest Regards,

 John W. Bailey, CIC