

COMMISSION FILE NO: 25-125-9 **DATE INTRODUCED:** September 8, 2025

INTRODUCED BY: Executive Director (Signature on File in the Office of the Commission)

REFERRED BY COMMISSION CHAIRPERSON TO: Policy, Finance, and Personnel Committee

RELATING TO: Insurance Coverage Purchase or Renewal for General Operations

SUMMARY:

The Commission is requested to authorize the Executive Director to renew, to purchase, or to direct the District's insurance broker to renew or to purchase insurance policies for the policy period of October 1, 2025, through September 30, 2026, as shown in Table 1.

Further, the Commission is requested to authorize the Executive Director to renew, to purchase, or to direct the District's insurance broker to renew or to purchase an environmental liability insurance policy for the policy period of October 1, 2025, through September 30, 2028, as shown in Table 1.

The pricing shown in Table 1 is tentative and based on the best information staff has in advance of the Commission meeting. Staff may provide a replacement Table 1 and replacement resolution on the day of the Commission meeting.

Insurance providers typically honor premium quotes for 30 days. Given the timing of Commission documents, the data provided is greater than 30 days old. This timing issue has historically not been an issue; however, there is always a possibility that an insurer could increase its pricing from when first provided to when coverage is bound.

It may also be the case that additional edits will need to be made between the date of the Commission meeting on September 22, 2025, and the date of policy coverage on October 1, 2025; therefore, the resolution text also provides staff authority to deviate from policy pricing with notice to the Commission via email.

ATTACHMENTS: **BACKGROUND** ☐ **KEY ISSUES** ☒ **RESOLUTION** ☒
FISCAL NOTE ☒ **S/W/MBE** ☐ **OTHER** ☐ _____

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COMMITTEE ACTION: _____ **DATE:** _____

COMMISSION ACTION: _____ **DATE:** _____

SUMMARY (Cont'd)

Insurance Coverage Purchase or Renewal for General Operations

TABLE 1:				
Policy to Renew or Purchase	Proposed Insurer	Expiring Annualized Premium	Estimated Annual Premium	Increase/ (Decrease)
Property/Equipment Breakdown	XL Insurance America, Inc. (AXA XL)	\$1,564,595	\$1,539,350	(\$25,245)
Excess Property/Equipment Breakdown	AIG Specialty Insurance Co.	\$219,739	\$207,717	(\$12,022)
Commercial Vehicle	EMCASCO Insurance Co. (EMC)	\$52,058	\$57,118	\$5,060
Excess Workers' Compensation	Midwest Employers' Casualty (MEC)	\$85,992	\$85,992	\$0
Excess Liability	Cincinnati Insurance Co.	\$15,368	\$20,296	\$4,928
Marine Protection & Indemnity and Hull	Atlantic Specialty Insurance Co. (Intact Insurance)	\$29,052	\$30,509	\$1,457
Excess Protection & Indemnity		\$9,739	\$11,025	\$1,286
Crime	National Union Fire Insurance Co. (AIG)	\$7,984	\$7,984	\$0
Cyber Liability	Homeland Insurance Co. of NY (Resilience)	\$64,890	\$61,800	(\$3,090)
Drone	Global Aerospace	\$5,100	\$5,100	\$0
Fiduciary Liability & Employment Practices Liability Package	Cincinnati Insurance Co.	\$17,901	\$17,750	(\$151)
Environmental Liability (3-year policy)	Tokio Marine Specialty	\$136,025	\$132,144	(\$3,881)
	All Policies Above	\$ 2,208,443	\$ 2,176,785	(\$31,658)

KEY ISSUES

Insurance Coverage Purchase or Renewal for General Operations

The commercial insurance marketplace has improved for property and cyber over the past year; however, it continues to experience increased premiums, stricter underwriting, and a reduction in capacity for automobile and umbrella lines of coverage.

After several years of a very difficult property market, there is rate and premium relief for the 2025 renewal. The automobile market continues to be stressed due to large liability settlements and increased costs to repair and replace automobiles. For the policies renewing October 1, 2025, placed by Brown & Brown, the District's insurance broker, the renewal premium is \$31,658 (one percent) lower than the expiring premium. Of the above additional premium, the majority of the increase is due to an increase in owned automobiles, which increased the automobile and excess liability premiums.

For all policies subject to this resolution and shown in the premium charts, major terms and conditions, deductibles, and insurance carriers remain unchanged except as noted. The following is an explanation of the marketing results and changes in the estimated premium for these policies. A.M. Best Company, an insurance company rating agency, assigns all proposed carriers a rating of A or above (excellent).

Property/Equipment Breakdown. Property insurance is rated on reported property values, which the District increased by two percent to reflect recent replacement cost indices and changes to insurable assets. Total insurable assets are now valued at \$2,007,394,972. Coverage is provided via a primary policy with AXA XL providing a \$750 million per occurrence limit and an excess policy with AIG providing \$250 million per occurrence limit over AXA XL. The program's rate per \$100 of insured value decreased by four percent. The District is viewed as a difficult risk due to its classification of critical infrastructure, dust exposure, and the high concentration of insured values at the Jones Island Water Reclamation Facility. Risks which are challenging due to exposures and loss history are experiencing rate increases over 10%. The underwriting result continues to be a reflection of the positive risk survey completed this spring and the investment that the District has made in infrastructure. Coverage changes include: on premises service interruption is now sublimited to \$5 million and excess conditional coverage for pollution-related losses if caused by a defined peril (fungus, mold, or spore) is now defined separately.

Commercial Vehicle Physical Damage and Liability. Commercial vehicle liability coverage includes a \$1 million limit with no deductible. Physical damage coverage is included with \$1,000 comprehensive and collision deductibles. The renewal premium quoted by the current carrier, EMC, reflects a six percent rate increase to the power units, which is in line with the market for this line of coverage. Additional trailers are now insured as well, resulting in a \$5,060 (10%) premium increase. Auto is not a coverage type that insurers want to provide on a monoline basis, but the District has the benefit of a very long relationship with EMC.

KEY ISSUES (Cont'd)

Insurance Coverage Purchase or Renewal for General Operations

Excess Liability. This policy provides a limit of \$10 million above the primary automobile liability and employer's liability policies. The renewal premium quoted by the incumbent, Cincinnati Insurance Co., represents a \$4,928 increase in premium and is driven by the underlying automobile liability premium.

Protection and Indemnity and Hull (Marine). This policy covers liability for operating the three District vessels (protection and indemnity), plus the value of the vessels themselves (hull). The marine market has seen an increase in the cost of claims, like other markets, and has made it a practice to take regular single-digit increases to stay in front of those costs. The protection and indemnity liability limit of coverage is \$1 million with a \$5,000 deductible. Hulls are insured for fair market value. Passenger coverage is provided for the Mallard and the Pelagos. The renewal premium from incumbent insurer, Intact Insurance, has increased \$1,457 (three percent) compared to the expiring policy.

Excess Protection and Indemnity (Marine). Premium for excess marine liability is primarily based on the underlying policy premium. The limit of coverage is \$4 million. The renewal premium from incumbent insurer, Intact Insurance, has been quoted with an increase of \$1,286 (13%). The District's insurance broker will continue to negotiate this coverage.

Crime. Crime coverage is provided by AIG with limits up to \$2 million with a \$150,000 deductible. The renewal premium is the same as expiring.

Cyber Liability. The District purchases a \$2 million limit with a \$200,000 retention. Premium has decreased \$3,090 (five percent) over expiring. Staff continue to review options with Homeland Insurance Co of NY (incumbent) for potential coverage enhancements but recommend renewing with the incumbent insurer.

Employment Practices Liability (EPL) and Fiduciary Liability. EPL insurance provides protection from employment-related claims. Because of claims activity, this coverage (along with fiduciary liability) was moved to a new insurer in 2023 year after marketing to over 20 markets. The District purchases a \$2 million limit and \$50,000 deductible. Fiduciary liability insurance protects benefit plan fiduciaries that may be held personally liable for losses to a covered benefit plan incurred as a result of an alleged error, omission, or breach of fiduciary duty. This policy also protects the plan sponsor, the Commissioners, and the District's directed deferred compensation plans. This coverage was moved last year to the same insurer as EPL. The renewal premium is \$151 less than expiring.

KEY ISSUES (Cont'd)

Insurance Coverage Purchase or Renewal for General Operations

Environmental Liability. Environmental liability insurance provides coverage for scheduled owned and nonowned disposal sites. The District purchases a \$15 million aggregate limit which is spread over three years of exposure. The deductible is \$250,000 per incident. Premium decreased \$3,881 (2.8%) since the last renewal in 2022. An option was considered to reduce the limit to \$10 million aggregate limit for a \$28,000 premium savings.

Excess Workers' Compensation. This policy provides statutory coverage for any workers' compensation and employers' liability claims that exceed the \$450,000 self-insured limit. This program has been underwritten by Midwest Employers for many years. A two-year program was negotiated in 2024. This policy is auditable based on actual payroll.

Third Party Administrator. This agreement refers to the workers' compensation claims adjustment services provided by Gallagher Bassett for any claims within the \$450,000 self-insured retention. A three-year program was negotiated in 2023. The actual annual cost is based on the type and number of claims serviced, subject to a \$7,500 minimum.

RESOLUTION

Insurance Coverage Purchase or Renewal for General Operations

RESOLVED, by the Milwaukee Metropolitan Sewerage Commission, that the Executive Director is authorized to renew, to purchase, or to direct the District's insurance broker to renew or to purchase the following insurance policies for the policy period of October 1, 2025, through September 30, 2026, in the following amounts:

- Property/equipment breakdown through XL Insurance America, Inc., for an estimated annual premium of \$1,539,350.
- Excess property/equipment breakdown through AIG Specialty Insurance Co. in an estimated annual premium of \$207,717.
- Commercial vehicle policy through EMCASCO Insurance Companies for an estimated annual premium of \$57,118.
- Excess workers' compensation through Midwest Employers' Casualty for \$85,992 annually.
- Excess liability policy through Cincinnati Insurance Co. for an estimated annual premium of \$20,296.
- Marine protection and indemnity and hull policy through Atlantic Specialty Insurance Co. for an estimated annual premium of \$30,509.
- Excess protection and indemnity policy through Atlantic Specialty Insurance Co. for an estimated annual premium of \$11,025.
- Crime policy through National Union Fire Insurance Co. for an estimated annual premium of \$7,984.
- Cyber liability through Resilience for an estimated annual premium of \$61,800.
- Drone policy through Global Aerospace for an estimated annual premium of \$5,100.
- Fiduciary liability and employment practices package policy through Cincinnati Insurance Co. for an estimated annual premium of \$17,750.
- Continue Third Party Administrator contract for \$7,500 minimum premium.

FURTHER RESOLVED, by the Milwaukee Metropolitan Sewerage Commission, that the Executive Director is authorized to renew, to purchase, or to direct the District's insurance broker to renew or to purchase the following insurance policy for the policy period of October 1, 2025, through September 30, 2028, in the following amount:

- Environmental liability through Tokio Marine Specialty for an estimated premium of \$132,144.

FURTHER RESOLVED, by the Milwaukee Metropolitan Sewerage Commission, that in the event the District's insurance broker can obtain lower premiums from these or other insurance carriers for the same coverage and deductibles, the Executive Director is authorized to renew any of these policies with the lower cost insurance carrier.

RESOLUTION (Cont'd)

Insurance Coverage Purchase or Renewal for General Operations

FURTHER RESOLVED, by the Milwaukee Metropolitan Sewerage Commission, that in the event pricing changes between September 22, 2025, and October 1, 2025, the Executive Director is authorized to renew such policy after notice to Commissioners.