

## ACTION FORM BRYAN CITY COUNCIL

<b>DATE OF COUNCIL MEETING:</b> October 28, 2014		<b>DATE SUBMITTED:</b> October 10, 2014	
<b>DEPARTMENT OF ORIGIN:</b> Risk Management		<b>SUBMITTED BY:</b> Cindy Kirk	
<b>MEETING TYPE:</b>	<b>CLASSIFICATION:</b>	<b>ORDINANCE:</b>	<b>STRATEGIC INITIATIVE:</b>
<input type="checkbox"/> BCD	<input type="checkbox"/> PUBLIC HEARING	<input type="checkbox"/> 1ST READING	<input type="checkbox"/> PUBLIC SAFETY
<input type="checkbox"/> SPECIAL	<input checked="" type="checkbox"/> CONSENT	<input type="checkbox"/> 2ND READING	<input checked="" type="checkbox"/> SERVICE
<input checked="" type="checkbox"/> REGULAR	<input type="checkbox"/> STATUTORY		<input type="checkbox"/> ECONOMIC DEVELOP.
<input type="checkbox"/> WORKSHOP	<input type="checkbox"/> REGULAR		<input checked="" type="checkbox"/> INFRASTRUCTURE
			<input type="checkbox"/> QUALITY OF LIFE
<b>AGENDA ITEM DESCRIPTION:</b> Consider awarding the City's Equipment Breakdown/Boiler Machinery insurance to Liberty Mutual Insurance in the amount of \$200,213.			
<p><b>SUMMARY STATEMENT:</b> The City of Bryan purchases Equipment Breakdown/Boiler Machinery insurance to provide coverage for the mechanical failure or damage of generating equipment, boilers, pumps and other mechanical equipment, excluding wear and tear. In addition, loss control engineering services are provided by the insurance carrier. A large portion of the insured equipment is for BTU power generation and transmission; power generation is specifically excluded from similar coverage provided under the City's property insurance policy. The City's current Equipment Breakdown/Boiler Machinery insurance is provided by Travelers Property Casualty Company of America (Travelers) with \$50,000,000 in coverage, and an annual premium of \$238,457 or \$0.0733 per \$100 insured value. Deductibles range from \$10,000 to \$500,000 based upon the type and size of equipment.</p> <p>The City's Sole Broker of Record conducted a request for proposals for Equipment Breakdown/Boiler Machinery insurance last year for Fiscal Year 2014. The City of Bryan City Council awarded the Equipment Breakdown/Boiler Machinery insurance through its Sole Broker of Record, McGriff, Seibels &amp; Williams of Texas, to Travelers for a policy term beginning October 1, 2013, and ending September 30, 2014, with the option to renew for up to three (3) additional years. On September 2, 2014, Travelers presented its Fiscal Year 2015 renewal to the City which included a 30% premium increase as well as increasing all power generation/transmission deductibles to \$500,000. The City negotiated a one-month extension to the current policy, extending the policy to October 31, 2014, to allow time for the City's Sole Broker of Record to request proposals from the Equipment Breakdown/Boiler Machinery insurance marketplace.</p> <p>There are few insurance carriers writing this class of coverage for electric generating exposures. Travelers provided the sole response when proposals were requested last year. This year's request for proposals did yield three (3) proposals; however none matched the expiring policy's provisions. The proposals received have larger deductibles and/or restricted coverage on older equipment. This is primarily due to current market conditions and losses in the loss review period (the immediate past five years). The most recent loss was paid for in FY2012 and one is pending for FY2014. A comparison of the proposals is attached to this Council Action Form (pdf document).</p> <p>Liberty Mutual Insurance provided the proposal with the best value to BTU/City of Bryan. The proposed annual premium is \$218,812, \$0.0672 per \$100 insured value. Liberty Mutual agrees to issue a shorter policy term, beginning November 1, 2014, and ending September 30, 2015, at a prorated premium of \$200,213 for the eleven (11) month policy period. This shorter term policy period will allow BTU/City of Bryan to return to a fiscal year renewal cycle. Historical premium costs are attached to this Council Action Form. (Note: While the proposed FY2015 premium is less than the current FY2014 premium amount, certain factors could result in higher costs for the City (e.g., some deductibles increased), which makes a cost comparison difficult.)</p>			

The City's policy on determining the value of property is based on replacement value, not cash value. As property is improved, that enhanced value is considered in the City's overall value. As BTU continues to enhance and expand its generation and transmission systems, values may be increased and additional premiums may be due. Additional premiums for any increased values for this policy would be based on the premium rate of \$0.0672 per \$100 insured value, and in comparison to the current premium rate of \$0.0733 per \$100 insured value. And again, proposals received have larger deductibles and/or restricted coverage on older equipment.

Side note: The City of Bryan contracts for Sole Broker of Record for its property and casualty programs. The City's Sole Broker of Record is paid on a fee basis by the City — rather than by insurance carrier commissions — to review, market, and negotiate insurance programs on the City's behalf. By using a Sole Broker of Record, the City is independently represented to the insurance market world-wide, which maximizes obtaining the most favorable coverage and price for the City of Bryan.

**STAFF ANALYSIS AND RECOMMENDATION:** BTU and City staff respectfully request the City Council award Equipment Breakdown/Boiler Machinery insurance to Liberty Mutual Insurance at a rate of \$0.0672 per \$100 insured value for a projected premium of \$200,213 for the policy period beginning November 1, 2014, and ending September 30, 2015, with the option to renew for two (2) additional one year periods.

This insurance provides coverage for a variety of equipment and loss control engineering services provided by the insurance carrier. A large portion of the insured equipment is for BTU power generation and transmission.

**OPTIONS (In Suggested Order of Staff Preference):** (certain action may require consideration at a future City Council meeting)

1. Award Equipment Breakdown/Boiler Machinery insurance to Liberty Mutual Insurance at a cost of \$0.0672 per \$100 insured value for a projected premium of \$200,213 for the period of November 1, 2014, through September 30, 2015, with the option to renew for two (2) additional one year periods.
2. Award Equipment Breakdown/Boiler Machinery insurance to Travelers Insurance Company at a cost of \$0.0950 per \$100 insured value for a projected premium of \$283,030 for the period of November 1, 2014, through September 30, 2015.
3. Award Equipment Breakdown/Boiler Machinery insurance to Hartford Steam Boiler Insurance Company at a cost of \$0.1077 per \$100 insured value for a projected premium of \$320,889 for the period of November 1, 2014, through September 30, 2015.
4. Do not award Equipment Breakdown/Boiler Machinery insurance, reject all proposals, and provide additional direction to staff. Note: The term of the current policy extension ends October 31, 2014. Requests for proposals were requested and evaluated. Rejecting proposals could leave BTU/City without Equipment Breakdown/Boiler Machinery insurance coverage.

**ATTACHMENTS:**

1. Premium History (attached as part of this Council Action Form)
2. Comparison of proposals received (pdf document)

**FUNDING SOURCE:** FY2015 budget – BTU, Waste Water, Water, and General Funds (as budgeted)

**APPROVALS:** Hugh R. Walker, 10/13/2014

**APPROVED FOR SUBMITTAL: CITY MANAGER** Kean Register, 10/17/2014

**APPROVED FOR SUBMITTAL: CITY ATTORNEY** Janis K. Hampton, 10-18-2014

**PREMIUM HISTORY**

	FY2011	FY2012	FY2013	FY2014
Total Property Values	\$297,064,633	\$318,660,830	\$321,079,808	\$325,289,047
Premium Rate per \$100/value	\$.0641	\$.0626	\$.0675	\$.0733
% Increase in Rate	-25.00%	-2.34%	7.83%	8.60%
Total Premium	\$190,345	\$199,544	\$216,621	\$238,457
Total \$ Increase	-\$7,264	\$9,199	\$17,077	\$21,836
Total % Increase	-3.68%	4.83%	8.56%	10.1%