

ACTION FORM BRYAN CITY COUNCIL

DATE OF COUNCIL MEETING: September 22, 2015		DATE SUBMITTED: September 1, 2015	
DEPARTMENT OF ORIGIN: Risk Management		SUBMITTED BY: Cindy Kirk	
MEETING TYPE:	CLASSIFICATION:	ORDINANCE:	STRATEGIC INITIATIVE:
<input type="checkbox"/> BCD	<input type="checkbox"/> PUBLIC HEARING	<input type="checkbox"/> 1ST READING	<input type="checkbox"/> PUBLIC SAFETY
<input type="checkbox"/> SPECIAL	<input type="checkbox"/> CONSENT	<input type="checkbox"/> 2ND READING	<input checked="" type="checkbox"/> SERVICE
<input checked="" type="checkbox"/> REGULAR	<input checked="" 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
AGENDA ITEM DESCRIPTION: Consider approving the Fiscal Year 2016 extension for the City's Property insurance to the Texas Municipal League – Intergovernmental Risk Pool in the estimated annual amount of \$140,622.			
SUMMARY STATEMENT: The City purchases Special Form (formerly known as All Risk) Property insurance to provide coverage for its buildings and contents. This insurance provides for replacement cost of scheduled property with a \$25,000 deductible. The City's current insurer is the Texas Municipal League – Intergovernmental Risk Pool (TML-IRP), and the FY2015 premium is \$126,776.			
<p>City staff and its Sole Broker of Record conducted a competitive request for proposals for Property insurance for a policy term beginning October 1, 2013, and ending September 30, 2014, with the option to renew up to three (3) additional years. TML-IRP, the incumbent, provided the sole response. Although the program was aggressively marketed to multiple carriers, the electric utility exposure combined with a competitively low rate charged by the incumbent resulted in market declinations; Texas Municipal League – Intergovernmental Risk Pool was the sole proposer. The Bryan City Council awarded the Special Form Property insurance to Texas Municipal League – Intergovernmental Risk Pool (TML-IRP) for the policy term beginning October 1, 2013, and ending September 30, 2014, with the option to renew for three (3) additional years.</p>			
<p>The policy period beginning October 1, 2015, and ending September 30, 2016, is the second (of three) renewal option for this policy. TML-IRP continues to offer the City competitive property rates. The FY2016 renewal premium for the Special Form Property insurance is \$.0410 per \$100 insured value for a projected annual premium of \$140,622. The City's current premium rate (FY2015) is \$.0387 per \$100 insured value for an annual premium of \$126,776. The City's Broker of Record has reviewed the renewal and advises the renewal premium rate is competitive with current market conditions, especially considering the City has had two paid losses in the immediate five year review period. The projected annual premium increase (\$13,846) is not only due to the premium rate increase, but also to an increase in insured values. Policy information and historical costs are attached to this Council Action Form.</p>			
<p>The City's policy on determining the value of property is based on replacement value, not cash value, for the majority of properties. As part of the services offered by TML-IRP, an appraisal firm selects a number of properties each year to perform an "official" appraisal to keep values in line. Risk Management updates all values each year using a property valuation software program. Additionally, as property is improved, the enhanced value is considered in the City's overall value. If the City purchases additional properties or enhances current properties, values may be increased and additional premiums may be due. Additional premiums for any increased values in FY2016 would be based on the premium rate of \$.0410 per \$100 insured value.</p>			

TML-IRP was selected to provide the Special Form Property insurance policy based on their competitive premium. When the City requested proposals for property insurance it was the intent to consider extending the policy for three (3) additional years with direct negotiations of renewal terms and pricing. Firms may bid on the City's insurance policy(ies) with the expectation of a four (4) year commitment, although it is not in the policy nor does the City make such a guarantee. If the City bids each year or does not renew extensions, the City may develop a reputation of an annual contract city, which could result in inflated prices.

Side Note: The City 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 property/casualty insurance market worldwide, which maximizes obtaining the most favorable coverage and price for the City of Bryan.

STAFF ANALYSIS AND RECOMMENDATION: Staff respectfully recommends the City Council approve the second renewal for Special Form Property insurance to Texas Municipal League – Intergovernmental Risk Pool at a rate of \$.0410 per \$100 insured value for a projected annual premium of \$140,622 for the policy period beginning October 1, 2015, and ending September 30, 2016.

The City of Bryan purchases Special Form Property insurance to provide coverage for buildings and contents. This insurance policy provides for replacement cost of scheduled property with a \$25,000 deductible.

OPTIONS (In Suggested Order of Staff Preference): (Note: Except for Option #1, options may require consideration at a future City Council meeting. The current policy will expire September 30, 2015.)

1. Approve the second renewal option for Special Form Property insurance to Texas Municipal League – Intergovernmental Risk Pool at a rate of \$.0410 per \$100 insured value for a projected annual premium of \$140,622 for the policy period beginning October 1, 2015, and ending September 30, 2016. Policy terms and coverage remain unchanged.
2. Do not approve the second renewal option for Special Form Property insurance and require staff to request proposals for property insurance. Note: the term of the current policy expires September 30, 2015. Requests for proposals were issued for FY2014 and only one proposal, Texas Municipal League – Intergovernmental Risk Pool, was received. Rejecting this renewal option could leave the City without property insurance coverage.
3. Do not approve the renewal and provide additional direction to staff.

ATTACHMENTS: Policy information and historical costs (attached as part of this Council Action Form)

FUNDING SOURCE: FY2016 budget– All Funds (as budgeted in the FY16 proposed budget)

APPROVALS: Hugh R. Walker, 09/04/2015

APPROVED FOR SUBMITTAL: CITY MANAGER

APPROVED FOR SUBMITTAL: CITY ATTORNEY

**SPECIAL FORM PROPERTY INSURANCE
PREMIUM HISTORY**

	FY2016	FY2015	FY2014	FY2013	FY2012	FY2011
Total Property Values	\$343,676,165	\$327,630,729	\$325,736,547	\$321,079,808	\$318,660,830	\$297,064,633
Premium Rate per \$100/value	\$.0410	\$.0387	\$.0385	\$.0371	\$.0376	\$.0375
% Increase in Rate	5.95%	.52%	3.78%	-1.33%	.27%	0%
Total Premium	\$140,622	\$126,776	\$125,355	\$119,173	\$119,736	\$111,534
Total \$ Increase	\$13,846	\$1,421	\$6,182	-\$563	\$8,202	\$13,687
Total % Increase	10.93%	1.14%	5.19%	-.47%	7.36%	13.98%

Policy Terms:

- \$25,000 Deductible
- Windstorm included
- Flood and Earthquake excluded