

**Meeting Date** (?) 09/27/2016

**Subject Matter**\* (?) Consider approval of FY2017 extension for Ctiy's equipment/breakdown machinery insurance  
This must match rolling agenda entry

**Department of Origin**\* RISK MANAGEMENT

**Submitted By**\* Cindy Kirk

**Type of Meeting**\*  BCD  Special  Regular

**Classification**\*  Public Hearing  Consent  Statutory  Regular

**Ordinance**\*  None  First Read  Second Read  First & Only Read

**Strategic Initiative**\*  Public Safety  Service  
 Economic Development  Infrastructure  
 Quality of Life

**Agenda Item Description**\* Consider approving the Fiscal Year 2017 extension for the City's Equipment Breakdown/Boiler Machinery insurance to Liberty Mutual Insurance Fire Insurance Company in the estimated annual amount of \$264,292.

**Summary Statement\***

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 Liberty Mutual Fire Insurance Company (Liberty Mutual) with \$50,000,000 in coverage, and an annual premium of \$241,776 or \$0.0704 per \$100 insured value. The deductible is \$500,000 with the exception of (1) transformers 100 MVA or less being \$250,000, and non-power generating, transmitting, and distribution locations being \$10,000.

In 2013, City staff and the City's Sole Broker of Record conducted a Request for Proposals (RFP) for Equipment Breakdown/Boiler Machinery insurance for FY2014. Travelers provided the sole response, and the City Council awarded this insurance policy 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. In September, 2014, Travelers presented its first renewal (FY 2015) to the City which included a 30% premium increase. The City negotiated a one-month extension to the existing policy (FY2014), extending the policy to October 31, 2014, and to allow time for the City staff and the City's Broker of Record to reissue a Request for Proposals to the Equipment Breakdown/Boiler Machinery insurance marketplace. The RFP yielded three (3) proposals; Liberty Mutual offered the best terms and pricing. A premium comparison of the proposals received is attached.

The City Council awarded the Equipment Breakdown/Boiler Machinery insurance to Liberty Mutual Insurance at an annual premium of \$218,812, prorated to \$200,213 for a shorter policy term beginning November 1, 2014, and ending September 30, 2015, with the option to renew for two (2) additional one year periods. The shorter term policy period allowed the City/BTU to return to a fiscal year renewal cycle. Historical annual premium costs are attached.

The policy period beginning October 1, 2016, and ending September 30, 2017, is the second and final of the two (2) renewal options. The FY2017 renewal rate per \$100 Total Insured Value is \$.0703, just slightly less than the current rate; however, the FY2017 annual estimated premium is \$264,292, a \$22,516 (9.3%) increase from FY2016. This increase results from an increase in BTU and City property values. Policy terms and conditions remain unchanged from FY2016.

The City's policy on determining the value of property is based on replacement value, not cash value. As property is improved, the 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 will be based on the Rate per \$100/TIV (Total Insured Value).

When the City requested proposals for Equipment Breakdown/Boiler Machinery insurance it was the intent to consider extending the policy for two (2) additional years with direct negotiation of renewal terms and pricing. Firms may bid on the City's insurance policy(ies) with the expectation of a three (3) 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.

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 the City of Bryan's opportunity to obtain the most favorable coverage and price for the City of Bryan.

**Staff Analysis & Recommendation\***

City and BTU staff respectfully recommend the City Council approve the second and final renewal of Equipment Breakdown/Boiler Machinery insurance to Liberty Mutual at a rate of \$0.0703 per \$100 insured value for a projected premium of \$264,292 for the policy period beginning October 1, 2016, and ending September 30, 2017.

The City of Bryan/BTU purchases Equipment Breakdown/Boiler Machinery insurance to provide financial protection for utility 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)

Note: Except for Option #1, options may require consideration at a future City Council meeting. The current policy will expire on October 1, 2016.

1. Approve the second and final renewal option for Equipment Breakdown/Boiler Machinery insurance to Liberty Mutual at a cost of \$0.0703 per \$100 insured value for a projected annual premium of \$264,292 for the policy period beginning October 1, 2016, and ending September 30, 2017.

2. Do not approve the renewal options for Equipment Breakdown/Boiler Machinery insurance and require staff to request proposals for Equipment Breakdown/Boiler Machinery insurance. The term of the current policy ends September 30, 2016. Requests for proposals were issued for FY2015 and Liberty mutual provided the proposal with the best terms and pricing. Rejecting this renewal option could leave the City without Equipment Breakdown/Boiler Machinery insurance coverage. Requests for proposals will be issued for FY2018.

3. Do not approve the renewal and provide direction to staff.

**Funding Source\***

FY2017 budget – BTU (90%), Waste Water, Water, and General Funds

**Attachments**

Boiler Machinery Responses & Premium History.docx

16.28KB

Please detail attachments and note attachments available for viewing in City Secretary's Office:

1. Summary of responses to Boiler Machinery RFP and premium history

**Dept. Head Signature**



*Cynthia Kirk*

**Deputy City Manager Signature**



*Hugh R. Walker*

**City Manager Signature**



*[Signature]*

**City Attorney Signature**



*Janis K. Hampton*