

Meeting Date (?) 09/27/2016

Subject Matter* (?) Consider approving the Fiscal Year 2017 extension for the City's Property insurance to the Texas Mun
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 Property insurance to the Texas Municipal League – Intergovernmental Risk Pool in the estimated annual amount of \$185,330.

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 FY2016 premium net rate is \$.0415 per \$100 total insured value (TIV).

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 (TML-IRP) 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.

The policy period beginning October 1, 2016, and ending September 30, 2017, is the third and final renewal option for this policy. The FY2017 renewal premium net rate for the Special Form Property insurance is \$.0504 per \$100 insured value for an estimated annual premium of \$185,330. The City's current net rate (FY2016) is \$.0415 per \$100 insured value for an annual premium of \$142,549. Although this is a 22% rate increase for FY2017, the City's Broker of Record advises the City has enjoyed a rate significantly below market rates for an extended period of time, and the FY2017 rate adjustment is still competitive with current market conditions at a \$25,000 deductible.

In addition to the premium rate increase, the City's total insured values (TIV) increased. The City's policy is based on replacement value of properties, not cash value. As part of the services offered by TML-IRP, property values are reviewed each year and updated to reflect trend in replacement value. This trend factor is calculated annually using building cost data software and an analysis of building value changes. TML-IRP's valuation updates resulted in an increase in values of \$5,722,632. In addition, City staff conducted a comprehensive review of insured properties and added and/or increased values by a net \$18,128,146 for enhanced or additional properties: 54% of the net increased values are in BTU, 36% in Wastewater Services, and the remaining 10% in other funds. If the City and/or BTU purchases additional properties or improves current properties, values may be increased and additional premiums may be due. Additional premiums for any increased values in FY2017 would be based on the premium net rate of \$.0504 per \$100 insured value.

TML-IRP has offered the current additional deductible options for the FY2017 policy period. Option 1 maintains the current deductible (\$25,000). Additional options increase the deductible, resulting in an increased financial loss exposure to the City. All options maintain the remaining terms and conditions as the expiring policy. A comparison of the current and optional deductibles is attached.

TML-IRP was selected to provide the Special Form Property insurance policy based on their competitive premium. The FY2017 premium is still competitive in today's market. 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 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 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 & Recommendation*

Staff respectfully recommends the City Council approve the third and final renewal for Special Form Property insurance to Texas Municipal League-Intergovernmental Risk Pool with a \$25,000 deductible at premium net rate of \$.0504 per \$100 insured value for a projected annual premium of \$185,330 for the policy period beginning October 1, 2016, and ending September 30, 2017.

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, 2016.)

1. Approve the third and final renewal Option 1 for Special Form Property insurance to the Texas Municipal League-Intergovernmental Risk Pool with a \$25,000 deductible at a premium net rate of \$.0504 per \$100 insured value for a projected annual premium of \$185,330 for the policy period beginning October 1, 2016, and ending September 30, 2017. Policy terms and coverage remain unchanged.
2. Approve another renewal option to the Texas Municipal League-Intergovernmental Risk Pool for the policy period beginning October 1, 2016, and ending September 30, 2017.
3. Do not approve the final 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, 2016. Requests for proposals were issued for FY2014 and only one proposal, Texas Municipal League-Intergovernmental Risk Pool, was received due to their competitive rate. Rejecting this renewal option could leave the City without property insurance coverage. Requests for proposals will be issued for FY2018.
4. Do not approve the renewal and provide additional direction to staff.

Funding Source*

FY2017 Budget-All Funds

Attachments

Fiscal Year 2017 extension for the City's Property insurance to the Texas
Mun_Attachment.docx 24.55KB

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

1. Information sheet with premium/deductible options, premium breakdown, and premium history

Dept. Head Signature



Deputy City Manager Signature



City Manager Signature



City Attorney Signature

