

ACTION FORM BRYAN CITY COUNCIL

DATE OF COUNCIL MEETING: September 10, 2013		DATE SUBMITTED: August 21, 2013	
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 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
AGENDA ITEM DESCRIPTION: Consider awarding the City's Boiler & Machinery Equipment Breakdown insurance for Fiscal Year 2014 to Travelers Property Casualty Company of America in the estimated annual amount of \$238,457.			
SUMMARY STATEMENT: The City of Bryan purchases Boiler & Machinery Equipment Breakdown 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, which power generation is specifically excluded from similar coverage provided under property insurance policies. The City's current boiler and machinery insurance is provided by Travelers Property Casualty Company of America (Travelers) with \$50,000,000 in coverage, and a FY2013 premium of \$216,621. Deductibles with this policy range from \$10,000 to \$500,000 based upon they type and size of equipment.			
<p>City staff and its Sole Broker of Record conducted a competitive request for proposals (RFP) for Boiler & Machinery Equipment Breakdown insurance 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. There are few insurance carriers writing this class of coverage for electric generating exposures. Through the City's RFP process, one proposal was received. Travelers Property Casualty Company, the incumbent carrier, provided the sole proposal. A previous insurer declined to quote stating they are no longer writing public entity property policies, including stand-alone boiler machinery coverage for municipal power producers.</p>			
<p>The proposed premium for FY2014 is a premium rate of \$.0733 per \$100 insured value for a projected annual premium of \$238,457. The 10% increase (\$21,836) is primarily due to the current market conditions and the losses in the loss review period (the immediate past five years), with the most recent loss paid in FY2013. An increase in insured values also increases the total projected premium. Staff members from the City, including BTU, assisted in the review of the proposal and provided positive feedback on past claims and loss control services provided by Travelers. 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. As part of the services offered by the City's property insurer, 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, that enhanced value is considered in the City's overall value. Replacement values are shared with appropriate staff to be assured values are in-line with expectations. As BTU continues to enhance and expand its transmission system, values may be increased and additional premiums may be due. Additional premiums for any increased values in FY2014 would be based on the premium rate of \$.0733 per \$100 insured value.</p>			

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: Staff respectfully requests the City Council award Boiler and Machinery Equipment Breakdown insurance to Travelers Property Casualty Company of America at a rate of \$.0733 per \$100 insured value for a projected annual premium of \$238,457 for the policy period beginning October 1, 2013, and ending September 30, 2014, with the option to renew for three (3) additional years. Policy terms and coverage remains unchanged.

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):

1. Award Boiler and Machinery Equipment Breakdown insurance to Travelers Property Casualty Company of America at a cost of \$.0733 per \$100 insured value for a projected annual premium of \$238,457 for the period of October 1, 2013, through September 30, 2014, with the option to renew for three (3) additional years.
2. Do not award Boiler and Machinery Equipment Breakdown insurance and reject the sole proposal. Note: the term of the current policy ends September 30, 2013. Requests for proposals were issued and only one proposal, Travelers, was received. Rejecting this proposal could leave the City without Boiler and Machinery Equipment Breakdown insurance coverage.

ATTACHMENTS:

1. Evaluation of Request for Proposal response (attached as part of this Council Action Form)
2. Letter of Recommendation from City's Sole Broker of Record (pdf document)

FUNDING SOURCE: FY2014 budget – BTU, Waste Water, Water, and General Funds (as budgeted)

APPROVALS: Hugh R. Walker, 08/21/2013

APPROVED FOR SUBMITTAL: CITY MANAGER Kean Register, 08-26-2013

APPROVED FOR SUBMITTAL: CITY ATTORNEY Janis K. Hampton, 09-02-2013

**Evaluation – Request for Proposal #13-056
Boiler and Machinery Equipment Breakdown**

Open Date: August 9, 2013

Policy Beginning Date: October 1, 2013

	Expiring Policy	Travelers' Proposal
Total Property Values	\$321,079,808	\$325,289,047
Total Limit per Breakdown	\$50,000,000	\$50,000,000
Property Damage	Included	Included
Newly Acquired Equipment sublimit	\$1,000,000 (90 days)	\$1,000,000 (90 days)
Electronic Data Media sublimit	\$250,00	\$250,00
Expediting Expense sublimit	\$250,000	\$250,000
Fungus, Wet Rot and Dry Rot coverage sublimit	\$100,000	\$100,000
Hazardous Substance sublimit	\$1,000,000	\$1,000,000
Ordinance or Law, Demolition, Increased Cost of Construction sublimit	\$250,000	\$250,000
Refrigerant Contamination sublimit	\$1,000,000	\$1,000,000
Water Damage sublimit	\$1,000,000	\$1,000,000
Deductibles per expiring policy	N/A	Yes
Premium Rate per \$100/value	\$.0675	\$.0733
Estimated Annual Premium	\$216,621	\$238,457

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%