

ACTION FORM BRYAN CITY COUNCIL

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| DATE OF COUNCIL MEETING: September 10, 2013 | | DATE SUBMITTED: August 20, 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 Property insurance for FY2014 to the Texas Municipal League – Intergovernmental Risk Pool in the estimated annual amount of \$125,259. | | | |
| 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 FY2013 premium is \$119,173. | | | |
| <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.</p> <p>TM-IRP continues to offer the City competitive property rates. The proposed premium for the Special Form Property insurance is \$.0385 per \$100 insured value for a projected annual premium of \$125,259. The 5.11% increase (\$6,086) is primarily due to market conditions, a paid loss in the immediate five (5) year review period, and increased 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. 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. 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 \$.0385 per \$100 insured value.</p> <p>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.</p> | | | |
| STAFF ANALYSIS AND RECOMMENDATION: Staff respectfully recommends the City Council award Special Form Property insurance to Texas Municipal League – Intergovernmental Risk Pool at a rate of \$.0385 per \$100 insured value for a projected annual premium of \$125,259 for the policy period beginning October 1, 2013, and | | | |

ending September 30, 2014, with the option to renew for three (3) additional years.

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):

1. Award Special Form Property insurance to Texas Municipal League – Intergovernmental Risk Pool at a rate of \$.0385 per \$100 insured value for a projected annual premium of \$125,259 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 remain unchanged.

2. Do not award property 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, Texas Municipal League – Intergovernmental Risk Pool, was received. Rejecting this proposal could leave the City without property insurance coverage.

ATTACHMENTS:

1. Policy information and historical costs (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– All Funds (as budgeted)

APPROVALS: Hugh R. Walker, 08/19/2013

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

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

Revised 04/2013

SPECIAL FORM PROPERTY INSURANCE
Texas Municipal League – Intergovernmental Risk Pool
Request for Proposal Open Date: August 9, 2013
Policy Beginning Date: October 1, 2013

| | Expiring Policy | TML-IRP Proposal |
|------------------------------|------------------|------------------|
| Total Property Values | \$321,079,808 | \$325,289,047 |
| Deductible | \$25,000 | \$25,000 |
| Valuation Basis | Replacement Cost | Replacement Cost |
| Windstorm | Included | Included |
| Flood and Earthquake | Excluded | Excluded |
| Premium Rate per \$100/value | \$.0371 | \$.0385 |
| Estimated Annual Premium | \$119,173 | \$125,259 |

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 | \$.0375 | \$.0376 | \$.0371 | \$.0385 |
| % Increase in Rate | 0% | .27% | -1.33% | 3.77% |
| Total Premium | \$111,534 | \$119,736 | \$119,173 | \$125,259 |
| Total \$ Increase | \$13,687 | \$8,202 | -\$563 | \$6,086 |
| Total % Increase | 13.98% | 7.35% | -.47% | 5.11% |