

City Council – Action Request Form

Date: June 11, 2024

To: Mayor, Mayor Pro Tempore, and Members of the City Council

From: Ben Rowe, Assistant City Manager
Kelly Latham, Chief Financial Officer
Julie Carter, Risk Administrator

Council Action Requested:

Resolution Authorizing the City Manager to Purchase Property, Boiler/Machinery insurance from Traveler’s Insurance Company through the City’s broker, Surry Insurance.

Strategic Focus Area: Service Excellence

Strategic Objective: Maintain City’s Financial Strength

Strategic Plan Action Item: No

Key Work Item: No



Summary of Information:

The resolution attached proposes the purchase of property insurance from Travelers Insurance Company, with a policy limit of \$500 million per occurrence. The insurance will be obtained through Surry Insurance, the City's insurance broker, at a rate of \$0.1461/\$100 of property replacement cost for FY 2024-2025. It is important to note that the rate for this new policy has increased by 53% compared to last year.

The total premium for the new policy amounts to \$2,199,981, whereas last year's premium was \$1,379,793, this equates to a 59.44% increase. This increase can be attributed to various factors. One of the main factors is a 397% increase in the City's loss ratio for the expiring policies. This increase is primarily driven by three claims: Water and Sewer Pump Station 65 West, Fairgrounds Grandstand, and the Biosolid Dryer Facility at Archie Elledge Wastewater Treatment Plant. These claims remain open due to challenges in the construction market, such as increased costs, product shortages, worker shortages, and material issues. Additionally, there has been a 3.07% increase in property values, further contributing to the premium increase. As of now, the three claims resulted in \$2,324,606 in payments, with an outstanding reserve of \$7,824,482, totaling \$10,149,088.

The Lowery Street Facility is not covered under this policy. The facility is self-insured; however, the City plans to review coverage options upon completion of the needed repairs.

The overall property market is experiencing an increase in premiums due to factors such as catastrophe losses, reinsurance, inflation, replacement cost, skilled labor shortage, and loss trends that have surpassed previous rate increases.

The City selected Surry Insurance through a competitive Request for Proposal (RFP) process conducted in 2023. The Surry Insurance contract will remain in effect until June 30, 2025. The broker commission is not part of the property and boiler/machinery premium.

Committee Action:

Committee FC 06/11/2024 **Action:** Approval

For Unanimous **Against**

Remarks: