

City Council – Action Request Form

Date: June 8, 2020

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

From: Lisa M. Saunders, Chief Financial Officer
Nick Webster, Risk Manager

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 attached resolution recommends purchasing property insurance, with a \$500 million per occurrence policy limit, from Travelers Insurance Company through a contract awarded to Surry Insurance, the City’s insurance broker, for property and boiler/machinery insurance at a rate of \$0.0608/\$100 of property replacement cost for FY 2020-2021. The premium is a rate increase of \$0.0194/\$100 of property replacement cost, compared to the FY 2019-2020 rate of \$0.0414/\$100.

The total premium for this policy is \$699,813.00, compared to last year’s premium of \$456,762.09. The increase is largely due to insurance market conditions. The property insurance market, which is cyclical in nature, is currently in a state of rising premiums and declining insurance capacity referred to as a “hard” or “hardening” market. The industry has not experienced a hardening market to this degree since the mid-2000s. Travelers has also expressed concerns about the condition of a section of the roof at the 2000 Lowery Street facility.

We explored several options to try to secure a lower premium. We requested quotes from thirteen other insurance carriers, none of whom were close to matching the Travelers quote. Repairing the roof at the 2000 Lowery Street facility would cost an estimated \$10.8 million. We also explored alternative risk financing options, but protecting the City’s interest through the purchase of insurance remains the most effective and financially sound option.

The City chose Surry Insurance as its insurance broker through a 2016 Request for Proposal (RFP) process. The City issues an RFP for brokerage services every three to five years since most agencies and insurance companies will not participate in an annual RFP process. Surry Insurance’s current contract with the City runs through June 30, 2020, after which the City reserves the option to extend the contract for one additional 12-month period.

Committee Action:

Committee	Finance 6/8/2020	Action	Approval
For	Unanimous	Against	
Remarks:			