



Winston-Salem

Financial Management Services  
Risk Management Division

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# Memorandum

**TO:** Mayor Allen Joines  
Mayor Pro Tempore Denise Adams  
Members of the City of Winston-Salem City Council

**FROM:** Nick Webster, Risk Manager

**DATE:** August 12, 2020

**SUBJECT:** Property Insurance Purchase through Traveler's Insurance Company

**CC:** Lee Garrity, City Manager  
Lisa Saunders, Chief Financial Officer

On June 15, 2020, the City Council awarded the purchase of 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 new 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 estimated replacement costs for the City's insured properties are over \$1.1 billion.

The total premium for this policy is \$699,813.00, compared to the FY 2019-2020 premium of \$456,762.09. The increase is, in part, due to insurance market conditions. The property insurance market is cyclical and 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 Joycelyn V. Johnson Municipal Services Center roof. This section of the roof was not part of the City's renovation efforts, and the portion of the facility it covers is not occupied by City staff. Travelers has inspected the roof and has found that the rear section has severe leaks. It appears that the infrastructure decking under this section of the roof will also need to be replaced. I have included a layout of the facility, showing the area that would need to be replaced. Property and Facilities Management staff has estimated that the structural repairs would cost in the vicinity of \$10.8 million.

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. We also attempted to sever the Joycelyn V. Johnson Municipal Services Center property from our blanket insurance policy and market it as a stand-alone policy, but were unable to obtain better price quotes. We also explored alternative risk financing options, but protecting the City's interest through the purchase of insurance remains the most effective and fiscally sound option.



Call 311 or 336-727-8000  
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**City Council:** Mayor Allen Joines; Denise D. Adams, Mayor Pro Tempore, North Ward; Dan Besse, Southwest Ward; Robert C. Clark, West Ward; John C. Larson, South Ward; Jeff MacIntosh, Northwest Ward; Morticia "Tee-Tee" Parmon, Northeast Ward; Annette Scippio, East Ward; James Taylor, Jr., Southeast Ward; City Manager: Lee D. Garrity