

City Council – Action Request Form

Date: June 13, 2023

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 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 **\$0.0955/\$100** of property replacement cost for FY 2023-2024. The premium rate increase compared to last year is **22.75%**.

The total premium for this new policy is **\$1,379,793**, compared to last year's premium of \$1,080,472. The increase is due to several factors. Factors include an increase of 64.52% due to the City's loss ratio, for the expiring policies. The loss ratio is being driven by two claims: pump station 65 and Fairgrounds Grandstand. Both claims remain open, due to issues in the construction market (increased costs, product shortage, worker shortage, material issues (pump being discontinued)). The two claims this year equated to \$1,084,302 paid to date with an outstanding reserve of \$1,095,180 totaling **\$2,179,482**. Travelers will not be renewing the Lowery Street building due to the condition of the building, although additional insurance options are currently being negotiated.

The property insurance market overall is increasing due to catastrophe losses, reinsurance, inflation, replacement cost, skilled labor shortage, and loss trends that have outpaced rate increases in past years.

The City chose Surry Insurance as its insurance broker through a 2023 Request for Proposal (RFP) process. Surry Insurance's current contract with the City runs through June 30, 2025.

Committee Action:

Committee FC, June 13, 2023 **Action** Approval

For Unanimous

Remarks: