



AGENDA ITEM EXECUTIVE SUMMARY

Agenda Item Number: 6a

Title: Seeking a motion to authorize the Assistant Finance Director to execute the risk insurance program renewal for the year beginning December 1, 2021 in the amount of \$845,794.

Presenter: Colleen Lavery, Assistant Finance Director

Meeting: Government Operations Committee

Date: November 1, 2021

Proposed Cost: \$845,794

Budgeted Amount: \$766,275

Not Budgeted:

Executive Summary *(if not budgeted please explain):*

The City has retained Assurance Agency as its consultant for the risk insurance program. Typically, insurance programs are taken to market on an expansive basis every 3-4 years. Assurance comprehensively marketed and quoted the risk insurance program for the renewal years beginning December 1, 2015, December 1, 2017 and December 1, 2020.

For the December 1, 2021 renewal year, Assurance contacted multiple carriers for price quotes on various pieces of the City’s risk insurance program. Assurance received several quotes for each element of the program despite some carriers declining to provide quotes because they were not able to price the City’s package competitively.

The total cost quoted for the annual renewal beginning on December 1, 2021 is \$845,794, exclusive of cyber insurance which is bound separately. In comparison, the cost of insurance for the 2020 renewal was \$724,945. The price differential from year to year is \$120,849 which equates to a 16.7% increase. This renewal premium represents the most competitive quotes received to maintain current coverage limits. Although the City received a lower priced quote from one insurance provider, this option would have resulted in less overall property coverage. Specifically, the maximum aggregate limits of flood and earthquake insurance from the lower cost provider were set at \$13,000,000 and \$10,000,000, respectively. This is a downgrade from the City’s current and recommended coverage which caps the maximum aggregate limits of flood and earthquake insurance at \$25,000,000 each.

Assurance has stated that the property insurance market has undergone a severe tightening in response to the increased frequency and magnitude of various natural disasters that have occurred over the past several years. The increase in the annual premiums reflect the results of this tightening. Assurance has noted that their other clients are experiencing similar premium increases.

For 2021, the renewal policy coverage limits remain fairly consistent with the 2020 package except for flood coverage. Flood coverage is becoming more difficult to obtain and the maximum aggregate limits being offered are diminishing in amount. This year, the maximum coverage of certain City properties has been reduced based on various risk factors. Assurance successfully negotiated an upgrade to the coverage limits on these properties from those initially proposed. Other than these coverages, there are no substantive changes to the City’s coverage limits, deductibles or self-insured retention (SIR) amounts.

There are no changes being proposed to the companies providing coverage; Travelers provides the City’s liability package, Chubb provides the City’s property package, and IPRF provides the Workers Compensation policy coverage. These carriers have extensive experience in the public entity insurance market. Staff is satisfied with the results of Assurance’s marketing efforts and recommends the renewal of the risk insurance program as presented.

Attachments *(please list):*

Premium Summary

Recommendation/Suggested Action *(briefly explain):*

Seeking a motion to authorize the Assistant Finance Director to execute the risk insurance program renewal for the year beginning December 1, 2021 in the amount of \$845,794.