

MEMO TO: City Council

FROM: John Marchione, Mayor

DATE: September 17, 2013

SUBJECT: **RATIFY THE DECISION OF STAFF TO ACQUIRE PROPERTY, GENERAL LIABILITY, AND OTHER MISCELLANEOUS INSURANCE COVERAGE FROM TRAVELERS INSURANCE COMPANY**

I. RECOMMENDED ACTION:

Ratify the decision of staff to acquire property insurance and general liability insurance from Travelers Insurance Company and other miscellaneous insurance coverage, as further described in the attachments, in the approximate amount of \$624,080.

II. DEPARTMENT CONTACTS:

Michael E. Bailey, Finance and I.S. Director 425-556-2160

III. DESCRIPTION:

In 2009 the city selected Bannon, Carlson & Kessel (BC&K) as its insurance consultant through a competitive process to provide assistance in accessing a favorable solution for the city's insurance needs. BC&K has worked with city staff to develop the information necessary to obtain quotes to continue the city's insurance programs, which expire each September 1st. As a result of these efforts, along with a very good experience record of proactive risk management by city staff, we were once again presented with aggressive quotes for the city's insurance coverage.

IV. IMPACT:

Attached is a summary of the coverage and quotes for the city's primary insurance coverage along with a five-year comparison to past premiums. The timing is such that staff has advised Traveler's that they intend to select them as the providers of insurance for the City (subject to cancellation should the Council not prefer this approach).

Earlier this year the City was advised by BC&K that the current property insurance carrier (Affiliated FM) would no longer be offering coverage for public sector clients. As a result we developed materials to describe the property insurance needs of the city and solicited proposals from a variety of other carriers. Based on the proposals received, staff recommends moving the property insurance coverage to Travelers while continuing to retain Travelers as the liability insurance carrier. We have had very good experience with the representatives of the Traveler's Insurance Company with proactive risk reduction practices and a similar approach to risk management as that of the city. Staff will continue to work with Travelers to assure that we manage risks and work to protect the city from claims and lawsuits.

The Council will recall that earthquake and flood insurance coverage offered in past years by Affiliated FM had become significantly more expensive. An adjustment in coverage limits to \$5 million (from \$25 million) was recommended by BC&K in 2012. The City decided to retain the higher coverage limit at an additional premium of \$43,963. The City is again presented with a choice but this time the choice with whether to purchase \$2.5 million in coverage or \$5 million in coverage. Staff is recommending we purchase \$5 million in coverage. This adds \$40,000 to the premium. (Note: one of the alternative bids received was from Alliant – an insurance purchasing consortium – for property insurance whereby we could acquire \$25 million in coverage but the premium would be about 2 ½ times higher – about \$171,000 more in premium. See attached “Property Insurance Options”).

As noted in the attachment, the city has experienced very favorable insurance premiums and coverage values over the past several years with costs only now returning to the “high water mark” of 2009-2010. The explanation for the continuing increase in liability coverage is the “industry trend” of about 10% and increases in the city's budget (which is a factor used to set rates). The current (and proposed) policy provides for a \$25,000 deductible as contrasted to the \$100,000 self-insured retention of four years ago. Also noteworthy is the increase in covered property values.

V. ALTERNATIVES:

- A. Select Alliant as the provider of property insurance in place of Travelers.
- B. Increase the coverage limits on earthquake and flood risks to \$25 million at an increased cost of approximately \$171,000.
- C. Explore higher deductible amounts for property damage coverage which might reduce premium costs.
- D. Begin a broader discussion of risk management costs and benefits and explore other options that those presented

VI. TIME CONSTRAINTS:

Time is not of the essence. Due to the time of the insurance policy renewal and the nature of getting information from the market place in a timely manner the current insurance program has been renewed. Any changes determined by the City Council would be reflected in an adjustment to the premium for the remainder of the policy period.

VII. LIST OF ATTACHMENTS:

- A. 5-year Redmond Insurance Comparison
- B. 2013-2014 Property Insurance Options

Mike E. Bailey, Finance Director

Date

Approved for Council Agenda _____

John Marchione, Mayor

Date

CITY OF REDMOND
5-Year Insurance Comparison

	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
	CIAW*	Travelers**	Travelers**	Travelers**	Travelers**
Package	\$410,429	\$314,408	\$330,007	\$348,584	\$402,519
Auto	Included	Included	Included	Included	Included
Umbrella	Included	Included	Included	Included	Included
Crime	Included	Included	Included	Included	Included

	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
	Affiliated FM	Affiliated FM	Affiliated FM	Affiliated FM	Travelers
Property	\$180,148	\$162,131	\$176,676	\$266,045	\$203,158

	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
	Endurance American				
Excess \$10,000,000	N/A	\$15,883	\$15,800	\$17,392	\$18,403.53

TOTALS	\$590,577	\$492,422	\$522,483	\$632,021	\$624,080.53
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*CIAW Liability Deductible \$100,000

**Travelers Liability Deductible \$25,000

CITY OF REDMOND
2013-2014 Property Insurance Options

	2013-2014	
	Travelers	Premium
Quake / Flood	\$2,500,000 / \$2,500,000	\$163,173
Quake / Flood	\$5,000,000 / \$5,000,000	\$203,458 *

	2013-2014	
	Alliant	Premium
Quake / Flood	\$5,000,000 / \$5,000,000	\$238,897.15
	\$10,000,000 / \$10,000,000	\$310,438.00
	\$25,000,000 / \$5,000,000	\$374,468.62

EXPIRING	2012-2013	
	Affiliated FM	Premium
Quake / Flood	\$25,000,000 / \$50,000,000	\$263,194

*Recommended