



## Legislation Text

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File #: 18-518, Version: 1

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### **CITY COUNCIL AGENDA ITEM**

#### **ACTION REQUESTED:**

Approve the recommendation by Alliant Insurance to award Property, Cyber Liability and Pollution Liability Insurance coverage through the Alliant Property Insurance Program for a one-year term and an amount not to exceed \$314,187.77.

**DEPARTMENT:** Finance Department

**SUBMITTED BY:** Rachel Mayer, Finance Director

#### **BOARD/COMMISSION REVIEW:**

N/A

#### **BACKGROUND:**

Insurance policies for the City are maintained through Alliant Insurance Services. As the City's insurance broker, Alliant Insurances works on behalf of the City of Naperville to procure options on various insurance policies before providing a final recommendation to the City for approval.

The City's current property insurance policy will expire July 1, 2018. As a client of Alliant, the City uses the Alliant Property Insurance Program (APIP), which is a comprehensive policy structured through a group purchase program providing coverage for the following:

- all-risk, flood and earthquake insurance for the City's buildings, infrastructure and vehicles
- boiler and machinery insurance
- cyber liability
- pollution liability

APIP covers up to \$1 billion under a layered and shared framework, which combines the services of more than 20 property insurance carriers to reduce costs while maintaining a sufficient level of protection.

As part of APIP, Alliant also provides the City with two additional policies for cyber liability and pollution liability as an underwritten component. Beazley Syndicate at Lloyd's will serve as the cyber liability carrier and Illinois Union Insurance will serve as pollution liability carrier.

#### **DISCUSSION:**

The proposed policy carries a premium of \$314,187.77, which is a 9.64-percent increase over last year's plan. The increased costs are due primarily to two variables - an increase to the City's total insured value and an increase in market rates.

The City benefited from relatively low market rates on property insurance the past few years. However, an increase in catastrophic losses due largely to several hurricanes last year is driving up rates. Additionally, the City experienced a slight increase in total insured value resulting in a nearly \$28,000 increase to the property insurance premium. A premium comparison is provided below:

<b>City of Naperville</b>	<b>2017-2018</b>	<b>2018-2019</b>	<b>Variance</b>
Total Insured Values (TIV)	\$548,542,419	\$552,356,147	0.69%
Account Rate (per \$100)	0.0522385	0.0568814	8.88%
Earthquake TIV	\$548,542,419	\$552,356,147	0.69%
Earthquake Limit	\$50,000,000	\$50,000,000	-
<b>Total Annual Cost</b>	<b>\$286,550.35</b>	<b>\$314,187.77</b>	<b>9.64%</b>

Staff recommends approving the APIP coverage for a one-year term effective July 1, 2018 through July 1, 2019.

**FISCAL IMPACT:**

Premium payments for property insurance are expensed to the insurance premiums account listed below. A total of \$276,000 is budgeted for the policy in 2018. The remaining award will be funded by savings from the excess liability insurance premium.

<b><u>Account Number</u></b>	<b><u>Fund Description</u></b>	<b><u>Total Budget Amount</u></b>
60101600-524203	Self-Insurance	\$460,000