



## Legislation Text

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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 an amount not to exceed \$1,170,121 and for a one-year term

**DEPARTMENT:** Finance Department

**SUBMITTED BY:** Raymond Munch, Finance Director

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

N/A

#### **BACKGROUND:**

In 2022, the City awarded RFP 22-072, Insurance Brokerage and Professional Consulting Services, to Alliant Insurance Services, Inc. As the City's insurance broker, Alliant works on behalf of the City to procure options on various insurance policies before providing a final recommendation to the City for approval.

The City's current property insurance and related policies will expire on July 1, 2024. As an Alliant client, the City has access to the Alliant Property Insurance Program (APIP), which is a comprehensive policy structured through a group purchase program providing coverage for the following:

1. All-risk, flood and earthquake insurance for the City's buildings, infrastructure, and vehicles
2. Boiler and machinery insurance
3. Cyber liability insurance
4. Pollution liability insurance

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 Group (Lloyd's) will serve as the cyber liability carrier and Ironshore Specialty Insurance Company will serve as a pollution liability carrier.

#### **DISCUSSION:**

Over the past several years, very challenging market conditions have persisted across the insurance industry resulting in significant increases in insurance premiums. Insurers continue to experience

significant losses because of catastrophic weather and other events across the nation, including hurricanes, wildfires, tornados, and severe winter storms. While the City has experienced minimal losses in recent years, insurance claims across the industry are impacting all policyholders.

Additionally, increases in City-owned property values, the increased risk of cyber-attacks, and the continued push for environmentally friendly policies have increased the overall premium cost associated with the City's property insurance renewal. While the policy rate decreases in 2024, the overall premium increase compared to 2023 is 4%. This is largely attributed to the total insurable values increasing by nearly 7.5%, cyber liabilities increasing by 6.6%, and pollution liabilities increasing by roughly 23%. A full year-over-year breakdown is provided below.

|                                 | 2023-2024          | 2024-2025          | Change       |
|---------------------------------|--------------------|--------------------|--------------|
| Total Insurable Values (TIV)    | \$671,798,051      | \$721,833,726      | 7.45%        |
| Earthquake TIV                  | \$671,798,051      | \$721,833,726      | 7.45%        |
| Earthquake Limit                | \$50,000,000       | \$50,000,000       | 0.00%        |
| Property Annual Cost            | \$1,090,549        | \$1,132,312        | 3.83%        |
| Cyber Liability Annual Cost     | \$28,549           | \$30,420           | 6.56%        |
| Pollution Liability Annual Cost | \$6,008            | \$7,389            | 22.97%       |
| Total Account Rate (\$/100)     | 0.1674768          | 0.1621039          | -3.21%       |
| <b>Total Annual Cost</b>        | <b>\$1,125,106</b> | <b>\$1,170,121</b> | <b>4.00%</b> |

Traditionally, the City has maintained a property insurance policy which included \$50 million flood limits. However, after discussing this internally, staff determined that was in excess of what the City needs and decreased this for the 2024-2025 renewal to include flood limits of \$25 million. Moving forward with flood limits of \$25 million allows the City to save roughly \$42,500 in renewal costs in 2024. The decision included a review of flood modeling data that showed likely losses of a 100-year flood event at less than \$25 million. The City has not incurred any major flood losses in recent years despite several major rain events.

Staff recommends approving the APIP coverage for a one-year term effective July 1, 2024, through July 1, 2025, to avoid any lapse in coverage, which may expose the City to significant financial liability should a catastrophic event occur. The proposed policy terms and conditions remain predominately the same as the existing policy. Alliant reviewed any proposed changes with City staff and did not pose any significant concerns.

#### **FISCAL IMPACT:**

CIP: N/A

Premium payments for property insurance are expensed to the Premiums/Property Insurance account listed below. Staff included \$1,350,127 in the 2024 budget for the APIP renewal. The requested award of \$1,170,121 is within budget for this expense.

| Account Number | Fund Description    | Total Budgeted Amount |
|----------------|---------------------|-----------------------|
| 6010600-524203 | Self-Insurance Fund | \$1,350,127           |