

Legislation Text

File #: 19-598, Version: 1

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 \$374,911.86 and for a one-year term

DEPARTMENT: Finance Department

SUBMITTED BY: Rachel Mayer, Director

BOARD/COMMISSION REVIEW:

N/A

BACKGROUND:

In August 2017, the City Manager awarded Contract 17-040, Insurance Broker Services, to Alliant Insurance Services (Alliant). As the City's insurance broker, Alliant maintains the City's insurance policies. In addition, Alliant 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, 2019. 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; and
- 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 \$374,911.86, which is a 19.32-percent increase over last year's plan. The increase is primarily due to a jump in market rates.

Between 2012 and 2017, the property insurance market was in a soft-cycle, which was attributed to a lack of widespread insurance claims. In late 2017, the market began to shift with an increase in catastrophe losses primarily associated with hurricanes Harvey, Irma and Maria. Rates increased for much of the market in 2018 and continued into the current year. In addition to residual issues related to hurricane damage, wildfires added to the catastrophe losses and pushed rates higher.

According to Alliant, the correction was somewhat predictable as commercial insurance has not been profitable over the previous three years and two of the largest writers of commercial property, AIG and FM Global, are re-underwriting their books in hopes of removing risks. Few underwriters are aggressively pursuing new business and the results are rate increases.

Alliant continues to leverage access to multiple underwriters to keep rates below the open market. Alliant uses a combination of Lexington, Lloyd's and U.S. domestic underwriters to provide coverage on the first \$25 million of the program. Excess limits up to \$1 billion will be placed with London, Bermudian, European and U.S. domestic markets, which are all A.M. Best Rate-VII. A three-year overview of the City's premium comparison is provided below:

City of Naperville	2017-2018	2018-2019	2019-2020	Variance
Total Insured Values (TIV)	\$548,542,419	\$552,356,147	\$566,982,417	2.64%
Account Rate (per \$100)	0.0522385	0.0568814	0.0661241	16.24%
Earthquake TIV	\$548,542,419	\$552,356,147	\$566,982,417	2.64%
Earthquake Limit	\$50,000,000	\$50,000,000	\$50,000,000	-
Total Annual Cost	\$286,550.35	\$314,187.77	\$374,911.86	19.32%

Staff recommends approving the APIP coverage for a one-year term effective July 1, 2019 through July 1, 2020.

FISCAL IMPACT:

CIP: N/A

Premium payments for property insurance are expensed to the insurance premiums account listed below. A total of \$329,897 is budgeted for the policy in 2019. The remainder of the award will be covered by savings in other Self-Insurance accounts, including settlements and other insurance policies.

Account Number	Fund Description	Total Budgeted Amount
60101600-524203	Self-Insurance	\$329,897