



Legislation Text

File #: 20-687, 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 \$452,410.65 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, 2020. 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 \$452,410.65, which is a 20.67-percent increase over last year's plan. The increase is primarily due to a jump in market rates.

The challenging market conditions that began in 2018 worsened through the first half of 2020 and are expected to remain difficult the remainder of the year. Prior to 2018, the property insurance market was in a “soft” cycle, which drove down market rates. Historic natural catastrophe losses related to several hurricanes and the California wildfires have been key drivers increasing insurance costs. The catastrophes resulted in an unprofitable commercial insurance industry the past several years. Lack of profitability pushed carriers to re-evaluate their books and seek increased pricing with reduced terms and conditions.

According to Alliant, rate increases have hit most insured organizations, with those claiming losses seeing the most significant rate adjustments. The trend was expected to continue through 2020 and is now becoming more unpredictable due to the impacts of the coronavirus pandemic.

The increase is 10-percent higher than anticipated in the 2020 Budget. Staff is working with Alliant to determine what options the city may pursue in reducing insurance costs in the future. A three-year overview of the City’s premium comparison is provided below:

City of Naperville	2018-2019	2019-2020	2020-2021	Variance
Total Insured Values (TIV)	\$552,356,147	\$566,982,417	\$557,603,158	-1.65%
Account Rate (per \$100)	0.0568814	0.0661241	0.0811349	22.70%
Earthquake TIV	\$552,356,147	\$566,982,417	\$557,603,158	-1.65%
Earthquake Limit	\$50,000,000	\$50,000,000	\$50,000,000	-
Total Annual Cost	\$314,187.77	\$374,911.86	\$452,410.65	20.67%

Staff recommends approving the APIP coverage for a one-year term effective July 1, 2020 through July 1, 2021.

FISCAL IMPACT:

CIP: N/A

Premium payments for property insurance are expensed to the property insurance premium account listed below. A total of \$412,403 is budgeted for the policy in 2020. The coverage may be covered by underspend in medical claims and settlements. Staff will monitor the Self-Insurance Fund throughout the year to ensure the city remains within the fund allocation.

Account Number	Fund Description	Total Budgeted Amount
60101600-524203	Self-Insurance	\$412,403