



City of Norman, OK

Municipal Building
Council Chambers
201 West Gray
Norman, OK 73069

Master

File Number: GID-1415-27

File ID: GID-1415-27

Type: Authorization for Purchase

Status: Consent Item

Version: 2

Reference: Item No. 14

In Control: City Council

Department: Finance Department

Cost: \$121,379.00

File Created: 09/18/2014

File Name: Purchase of Property Insurance

Final Action:

Title: CONSIDERATION OF AUTHORIZATION FOR THE PURCHASE OF PROPERTY INSURANCE FROM AFFILIATED FM IN THE AMOUNT OF \$121,379 FOR THE CITY OF NORMAN FOR THE PERIOD OF OCTOBER 1, 2014 TO OCTOBER 1, 2015.

Notes: ACTION NEEDED: Motion to approve or reject authorization for the purchase of property insurance in the amount of \$121,379 from Affiliated FM for the period of October 1, 2014, to October 1, 2015.

ACTION TAKEN: _____

Agenda Date: 09/23/2014

Agenda Number: 14

Attachments: Property Insurance Policy

Project Manager: Clint Mercer, Chief Accountant

Entered by: clint.mercer@normanok.gov

Effective Date:

History of Legislative File

Ver- sion:	Acting Body:	Date:	Action:	Sent To:	Due Date:	Return Date:	Result:
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Text of Legislative File GID-1415-27

Body

BACKGROUND: The City of Norman self-insures against most risks (i.e., workers compensation, vehicle/equipment damage, employee health benefits, tort claims, etc.) but historically has purchased insurance to cover casualty losses to City buildings and contents (including electronic information technology/computer equipment). This insurance is purchased in a blanket amount but is limited to agreed-upon values of independent buildings and contents, and is subject to a deductible.

In the past, the City of Norman bid out its buildings and contents insurance. However, several brokers expressed their frustration with this method as insurance underwriters will only work with the first insurance broker to contact them and the incumbent broker had already left "place markers" with most of the underwriters. This year the City decided to pick a broker via a Request for Proposal process that would then bid and select the best buildings and contents insurance for the City. This is the method other cities in the metro use to select insurance products including the City of Oklahoma City.

The City of Norman sent out Request for Proposal number 1314-49 on February 26, 2014 for insurance broker services. One broker responded, Arthur J. Gallagher & Co. (Gallagher). Gallagher is the incumbent broker the City has used for several years and has provided quality bids and rates in the past. Management has been

pleased with their services.

DISCUSSION: Gallagher received one bid for the up-coming policy year of October 1, 2014 to October 1, 2015 from Affiliated FM which is also the City's incumbent underwriter. Affiliated FM is rated as A+ by A.M Best and is one of the largest property and casualty providers in the industry. Another underwriter expressed interest but felt it could not be competitive with Affiliated FM regarding the premium price. The premium amount requested is \$121,379, up from \$109,350 (+11%) in the prior year. The blanket amount requested was \$96,157,790, up from \$95,841,860 in the prior year. This increase was due to the addition of several properties. The deductible amounts would stay the same at \$100,000 for wind/hail, flood and earth movement and \$10,000 for other damage.

The Oklahoma City area was hit with several weather disasters the past few years including the large tornado that struck Moore in May 2013. In addition, this region of the country has experienced several severe natural disasters. Insurance payouts on these disasters reached in the billions.

The City budgeted \$126,000 within Liability and Property (account 043-3004-415.44-03) in Fiscal Year 2015 to pay for building and contents insurance.

RECOMMENDATION: Staff recommends renewing the buildings and contents insurance with Affiliated FM at a premium amount of \$121,379 for one year as it provides the lowest premium for coverage within acceptable deductible limits. Affiliated FM is the incumbent insurance carrier for the City.