



# City of Norman, OK

Municipal Building  
Council Chambers  
201 West Gray  
Norman, OK 73069

## Master

**File Number: GID-1920-36**

**File ID:** GID-1920-36

**Type:** Authorization for Purchase

**Status:** Consent Item

**Version:** 1

**Reference:** Item 12

**In Control:** City Council

**Department:** Finance Department

**Cost:** \$257,642.00

**File Created:** 11/13/2019

**File Name:** Purchase of Building and Contents Insurance

**Final Action:**

**Title:** CONSIDERATION OF AUTHORIZATION FOR THE PURCHASE OF BUILDINGS AND CONTENTS INSURANCE FOR THE CITY OF NORMAN FROM AFFILIATED FM INSURANCE COMPANY IN THE AMOUNT OF \$257,642 FOR THE PERIOD OF DECEMBER 1, 2019, TO DECEMBER 1, 2020 AND BUDGET APPROPRIATION FROM THE RISK MANAGEMENT FUND BALANCE.

**Notes:** ACTION NEEDED: Motion to approve or reject authorization for the purchase of Buildings and Contents insurance in the amount of \$257.642 from Affiliated FM Insurance Company for the period of December 1, 2019, to December 1, 2020, and appropriate \$115,458 from the Risk Management Fund Balance (Org 43, Object 29000) to Liability and Property (Org 43330104, Object 44403).

**ACTION TAKEN:** \_\_\_\_\_

**Agenda Date:** 11/26/2019

**Agenda Number:** 12

**Attachments:** City Council Staff Report, Gallagher Executive Summary, Gallagher Proposal

**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-1920-36

Body

**BACKGROUND:** The City of Norman self-insures against most risks (i.e., workers compensation, vehicle/equipment damage, employee health benefit claims, 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. In 2014 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 upcoming policy year of December 1, 2019 to December 1, 2020 from Affiliated FM with a premium of \$257,642. Affiliated FM is rated as A+ by A.M Best and is one of the largest property and casualty providers in the industry. The prior year premium was \$154,248. The blanket amount continues to increase as new Norman Forward and other projects are completed. This year’s blanket amount coverage increased to \$199,664,292 from \$143,118,578, a 39.5% increase. Also, according to Gallagher, the building insurance market has tightened significantly in the past year.

The City took possession of the new Central Library in late October 2019. This property was added to the current policy at a cost of \$28,316.

The City budgeted \$169,500 in the Risk Management Fund, Liability and Property (Account Org 43330104, Object 44403) in Fiscal Year 2020 to pay for building and contents insurance. An additional appropriation of \$87,142 is needed to award this policy. In addition, \$28,316 is needed to cover the addition of the new library in late October 2019.

**RECOMMENDATION:** Staff recommends insuring the City’s buildings and contents with Affiliated FM at a premium amount of \$257,642 for one year as it provides the lowest premium for coverage within acceptable deductible limits. In addition, staff requests an appropriation of \$115,458 from Risk Management Fund Balance (Account Org 43, Object 29000) to Liability and Property (Account Org 43330104, Object 44403) to cover this premium cost and addition of the new Central Library before beginning the new policy period.