




CITY MANAGER'S OFFICE EXECUTIVE SUMMARY

To: Jim Scholl, City Manager

From: Lisa Takach Borzy, Risk Manager 

Date: February 25, 2015

Subject: Approval of additional funding for commercial property insurance premiums

ACTION STATEMENT:

Request City Commission to authorize the necessary budget transfer for the payment of 4th quarter insurance premiums for commercial property insurance to Public Risk Insurance Agency (PRIA) for the remaining policy period of 10/01/2014 – 10/01/2015.

BACKGROUND:

During the September 16, 2014 City Commission meeting, the City Commission adopted Resolution No. 14-271 authorizing the acceptance of PRIA's proposal for the City's Property & Casualty Insurance Program for policy year 2014/2015. Since the passing of this Resolution, additional commercial property insurance needs have arisen with the completed construction of the Fire Station #2 building and the acceptance of the contractor bid for the Glynn Archer building reconstruction.

While the Fire Station #2 building was under construction, the structure was insured by the builder's risk insurance held by the contractor. Typically these policies expire upon partial occupancy of the building. The KWFD began partial occupancy of the new fire station on December 24, 2014, thereby necessitating the City to include the structure under its commercial property coverage. PRIA arranged for an official appraisal of the completed building, which reported the replacement value to be in the amount of \$4,091,200.00, and the contents valued at \$250,000.00. The premium was based on the current rates offered to the City for the 2014/2015 policy year, and further calculated to be in the amount of \$37,080.00. The stated premium reflects the pro-rated amount from the effective date of coverage of December 23, 2014 to October 1, 2015.

With the impending start of the Glynn Archer City Hall construction, the existing portion of the structure needed to be included under the City's commercial property insurance coverage. Further, said coverage will be maintained throughout the construction process. The contractor maintains the builder's risk insurance coverage for the newly built portion of the building. Once the project is complete or occupancy occurs, the entire value of the building will then be added under the City's coverage. PRIA arranged for an official appraisal of the structure, which reported the replacement value of the existing structure to be in the amount of \$4,242,900.00, and the contents valued at \$0. The premium was based on the current rates offered to the City for the 2014/2015 policy year, and further calculated to be in the amount of \$31,106.00. The stated premium reflects the pro-rated premium from the effective date of the coverage of December 22, 2014 to October 1, 2015.

FINANCIAL IMPACT:

The premiums for Fire Station #2 and Glynn Archer were calculated using the City's current rates offered through Preferred Governmental Insurance (PGIT) by way of the City's current broker PRIA. The coverage for the Fire Station and the existing portion of the Glynn Archer City Hall building is in the City's best interest considering the values of the buildings and construction project, and further, a loss to same would be substantial. Commercial property insurance premiums are budgeted under account number 502-1953-519.45-01

RECOMMENDATION:

Approval of budget transfer from account 502-1951-519.98-03 to account 502-1953-519.45-01 for an amount not to exceed \$70,000.00 to provide additional funds for payment of 4th quarter commercial property insurance premiums and additional commercial property insurance adjustments.