



CITY OF NORMAN, OK STAFF REPORT

MEETING DATE: 11/28/2023

REQUESTER: Clint Mercer

PRESENTER: Clint Mercer, Chief Accountant

ITEM TITLE: CONSIDERATION OF AUTHORIZATION, APPROVAL, REJECTION, AMENDMENT, AND/OR POSTPONEMENT OF THE PURCHASE OF BUILDINGS AND CONTENTS INSURANCE FOR THE CITY OF NORMAN FROM AFFILIATED FM INSURANCE COMPANY IN THE AMOUNT OF \$558,102 FOR THE PERIOD OF DECEMBER 1, 2023, TO DECEMBER 1, 2024, AND BUDGET APPROPRIATION AS OUTLINED IN THE STAFF REPORT.

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 underwritten insurance products, including the City of Oklahoma City.

The City of Norman sent out Request for Proposal number 2122-08 on May 14, 2021 for insurance broker services. Three brokers responded, Arthur J. Gallagher & Co. (Gallagher), Alliant Specialty, and BancFirst Insurance Service, Inc. 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. The City selected Gallagher.

DISCUSSION:

Gallagher received one bid for the upcoming policy year of December 1, 2023 to December 1, 2024 from Affiliated FM with a premium of \$558,102. 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 \$468,864. The blanket amount continues to increase as new Norman Forward and other projects are completed and added to the list of covered City properties. Also, according to Gallagher, the building insurance market continues to be tight.

The FYE 2023 blanket amount of property covered increased to \$263,287,139 from \$234,535,256, a 15.7% increase. A portion of this increase also had to do with an increase in the value of certain properties.

The City budgeted \$507,000 in the Risk Management Fund, Liability and Property (Account Org 43330104, Object 44403) in Fiscal Year 2023-2024 to pay for building and contents insurance. An additional appropriation of \$144,000 is needed to award this policy (includes a \$92,898 reserve in case new buildings are completed and added during the fiscal year and we know the Young Family Athletic Center will be completed in December 2023 or January 2024).

RECOMMENDATION:

Staff recommends insuring the City's buildings and contents with Affiliated FM at a premium amount of \$558,102 for one year as it provides the lowest premium for coverage within acceptable deductible limits. In addition, staff requests an appropriation of \$144,000 from Risk Management Fund Balance (Account Org 43, Object 29000) to Liability and Property (Account Org 43330104, Object 44403) to cover this premium cost before beginning the new policy period.