



AGENDA ITEM ANALYSIS

Project/Issue Name: 23-R-38 A Resolution of the City Council Authorizing the City Administrator to Enter into an Agreement with Midwest Public Risk for Property and Liability Insurance for the Fiscal Year 2023-2024.

Submitted By: Bob Ford, Finance Director

Date: June 20, 2023

Issue Statement

Authorization for City Administrator, David Cameron to enter into an agreement with Midwest Public Risk for Property and Liability Insurance for the period July 1, 2023 through June 30, 2024.

Discussion and/or Analysis

Midwest Public Risk (“MPR”) is the current underwriter for the City of Republic’s (the “City”) property and liability insurance coverage, brokered through Higginbotham Insurance. MPR is:

- Not an insurance company under the traditional definition, but rather a State authorized insurance pool for municipalities.
- Authorized under Missouri State Statute Section 537.620 which allows for political subdivisions to jointly create an entity to provide insurance, where the entity created is not deemed an insurance company or insurer and where such entities are exempted from competitive bidding as per the Statute.

The City received a renewal invoice for continued coverage for the term July 1, 2023 through June 30, 2024, which included a premium increase of \$58,248 or 21.6%. A Coverage/Cost Comparison of FY 2022 versus FY 2023 is provided below.

<u>Property</u>	FY 2022		FY 2023		FY 2023 vs FY 2022		
Property Description	Coverage	Cost	Coverage	Cost	Incremental Coverage	Incremental Cost	%
Buildings	\$49,032,671	\$103,976	\$59,935,939	\$140,919	\$10,903,268	\$36,943	63%
Contents	\$3,310,140	\$7,019	\$4,310,140	\$10,134	\$1,000,000	\$3,115	5%
Electronics	\$630,628	\$1,337	\$642,227	\$1,510	\$11,599	\$173	0%
Vehicles	\$6,215,350	\$13,180	\$6,691,139	\$15,732	\$475,789	\$2,552	4%
Equipment	\$3,597,730	\$7,629	\$3,979,776	\$9,357	\$382,046	\$1,728	3%
Other Property	\$1,815,430	\$3,850	\$1,815,430	\$4,268	\$0	\$418	1%
TOTAL Property	\$64,601,949	\$136,991	\$77,374,651	\$181,920	\$12,772,702	\$44,929	77%

<u>Payroll</u>							
Liability							
TOTAL Payroll	\$8,718,166	\$133,193	\$8,754,520	\$146,512	\$36,354	\$13,319	23%
GRAND TOTAL		\$270,184		\$328,432		\$58,248	



Premium increase highlights – FY22 vs FY23:

- 63% due to buildings.
 - 10% increase in the insured value of existing buildings, which represents 53% of the increase in this category.
 - Addition of the BUILDS building to our building portfolio, which represents 47% of the increase in this category.
 - Note – MPR, at their cost, will perform appraisals on all the City’s buildings over the next 9 months to solidify insured values.
- 23% due to payroll. A diminimus increase in payroll cost but a 10% increase in premium cost associated with that payroll cost.

FY23 Budget vs. FY23 MPR Invoiced Variance Analysis

- When compared to FY 2023 Budget, the MPR premium increase represents an unbudgeted shortfall of \$25,569.
- Expense savings in other budgeted categories will offset this incremental premium expense.
- The shortfall will be updated in our upcoming Budget Amendment.

Department	Account Number	FY 2023 Budget	FY 2023 MPR	MPR Better (Worse) than Budget
Admin	100-150-62010	\$32,300	\$30,599	\$1,701
Animal Control	100-150-63010	\$2,658	\$2,194	\$464
Community Development	100-710-63010	\$9,472	\$10,185	(\$713)
Fire	100-350-63010	\$44,191	\$44,791	(\$600)
Police	100-320-63010	\$38,037	\$37,940	\$97
Municipal Court	100-210-63010	\$9,260	\$10,005	(\$745)
Parks & Recreation	210-510-63010	\$60,548	\$66,653	(\$6,105)
Streets	220-422-63010	\$22,562	\$28,875	(\$6,313)
Water	510-442-63010	\$31,462	\$36,275	(\$4,813)
Wastewater	520-430-63010	\$52,373	\$60,914	(\$8,541)
		\$302,863	\$328,432	(\$25,569)

Annual Premium Comparison

FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
\$222,641	\$239,339	\$255,529	\$270,184	\$328,432

In addition, the City earns a 2% Loss Control Credit on its policy.

Recommended Action

During last year’s insurance renewal discussion, City staff recommended that our property/liability insurance coverage be re-bid in early 2023. Furthermore, a 21.6% premium increase supports a relook at our insurance coverage. However, with City staffing vacancies existing during late 2022 and early 2023, coupled with MPR’s termination clause that requires a 90-day notice of intent to withdraw or incur a 25% fee on the total premium amount, we’ve missed the opportunity for this renewal cycle. Given that, the City staff recommends renewing with MPR as the property and liability underwriter for this renewal period but bid the insurance coverage for FY 2024 (July 1, 2024 through June 30 2025). City staff will begin that process in January 2024.