

To: Finance Committee  
From: Mark Stevens  
Date: June 26, 2023  
RE: Property/Liability Insurance Premium Review

I recently met with our insurance broker to review the property insurance renewal rates that are effective July 1. (Note: our other lines of liability, cyber, underground tank, and work comp have a Jan 1 renewal.) The renewal rate was higher (overall 16%) than I had budgeted (3%). Our company, Municipal Property Ins Co, increased the coverage limits across all properties by 7% in consideration of the cost increases for building materials (exercise completed with all clients). The completed library has added \$6.7M in building/contents coverages in this renewal as well. These changes have increased our property insurance premiums \$20,113 over the prior year (\$124K to \$144K).

You might recall that a change in cyber liability carriers in January provided savings in premiums of approximately \$12,500. With the 3% increase that was included in the 2023 budget, the net impact of changes for the year is within our original budget. I don't recommend that any changes are made in the insurance premium budget.

2023 Insurance Premiums		
	Budget	Actual
Liability	237,314	220,030
Tanks	7,211	7,306
Property	128,731	144,286
Total	373,257	371,622
Savings		1,635

#### Contemplations:

##### ▪ **Property Deductible Increase**

Considering the larger increase in property premiums, I asked for alternate quotes if we were to adjust our current \$2500 deductible upward. The premium savings if we increased to a \$5,000 deductible would be \$5,469, and an increase to a \$10,000 deductible would be \$12,221 less.

I do not consider the savings substantive, considering that a "break even" of just two claims greater than \$5,000 would negate any savings. Therefore, I do not recommend a change in our \$2,500 property deductible at this time.

##### ▪ **Library Property Premium Allocation**

The property premiums for the utility funds (solid waste, water, wastewater) are posted to the associated funds, but the library premiums have been included in the General Fund allocation historically. The building/contents of the library totals \$20,926,663, a sizable slice of 13% of the entire city's physical assets and the costliest single structure. The premiums are shared with the utility funds based upon a coverage limit allocation. The library's portion this year is \$16,909.

In that the Library is segmented as a separate fund apart from General Fund and other facilities-related expenses are assigned to Fund 11, I would request consideration in the assignment of the library's portion of property insurance premiums to be allocated to Fund 11 effective with the 2024 budget cycle. I have not yet discussed this with the library director, awaiting your input to this recommendation.