

**COUNCIL ACTION FORM**

**SUBJECT: RENEWAL OF PROPERTY AND BOILER AND MACHINERY COVERAGE**

**BACKGROUND:**

The insurance policy for the City's property (building and contents) and boiler and machinery coverage expires on July 1, 2008. FM Global has provided this coverage for the last four fiscal years.

The City has buildings and contents that are currently valued at \$334,000,000. Over \$229,000,000 of this full replacement value is concentrated in the Electric Utility (power plant, substations, and combustion turbines).

The market for property insurance remains very difficult. Staff could not identify other insurance carriers who could provide all of the required coverage under one all-risk policy.

The relationship with FM Global continues to be a very satisfying one for both parties. FM has been invaluable to the City in their assistance with our ongoing loss control initiatives (e.g., building plan review, site evaluation, etc.). They have also provided our departments with direct help on safety programs.

The pricing structure for the property and boiler and machinery coverage is as follows:

	<b>FY 2007-08</b>	<b>FY 2008--09 Budget</b>	<b>FY 2008-09 Proposal</b>
<b>Policy Limit</b>	\$323,000,000	\$334,000,000	\$334,000,000
<b>Base Premium</b>	\$430,963	\$445,831	\$444,100
<b>Premium Credit</b>	<u>\$(20,167)<sup>1</sup></u>	<u>-----</u>	<u>\$(21,548)<sup>1</sup></u>
	\$410,796	\$445,831	\$422,522

<sup>1</sup> As a policy holder for three years or more, the City is eligible for a premium credit based on premium paid. It is not guaranteed each year.

**ALTERNATIVES:**

1. Accept the proposal from FM Global for renewal of property coverage and boiler and machinery coverage during 2008-09 in the amount of \$422,552.
2. Reject the FM Global proposal and request that staff seek other proposals.

**MANAGER'S RECOMMENDED ACTION:**

It is the recommendation of the City Manager that the City Council adopt Alternative #1, thereby approving the proposal from FM Global Insurance Company for property coverage and boiler and machinery coverage during 2008-09 in the amount of \$422,552.