	CITY OF COFFEYVILLE **BOARD OF COMMISSIONERS AGENDA ITEM**	
MEETING DATE	September 22, 2015	
RESOLUTION OR ORDINANCE NUMBER	R-15-118	
AGENDA TITLE	**A RESOLUTION TO AUTHORIZE ISSUANCE OF A PURCHASE ORDER IN THE SUM OF $279,900 FOR BUILDERS RISK INSURANCE COVERAGE FOR THE ELECTRIC NEW GENERATION PROJECT TO BE EFFECTIVE OCTOBER 1, 2015.**	
REQUESTING DEPARTMENT	Finance Department	
PRESENTER	Stephanie A. Richardson, Finance Director	
FISCAL INFORMATION	Cost as recommended:	$279,900
	Budget Line Item:	890-5-030-452 $279,900
	Balance Available	
	New Appropriation Required:	[X] Yes [ ] No
PURPOSE	Authorizes issuance of a purchase order for builders risk insurance coverage for the electric new generation project.	
BACKGROUND	Staff worked with Charlesworth & Associates on the RFP for renewal of the property insurance coverage for the electric system as well as Builder's Risk coverage for the new generation plant.	
SPECIAL NOTES	This coverage will be paid from the bond proceeds for the project.	
ANALYSIS	Charlesworth's attached letter details the process used, the results received and provides their recommendation to bind coverage with our current property carrier, Chubb Insurance. City staff requested Burns & McDonnell review the policy offered by Chubb and they indicated it met their normal requirements for a builders risk policy for this type of project.	

PUBLIC INFORMATION PROCESS	RFP request was published in the Coffeyville Journal on 7/22/2015 and placed on the City's website.
BOARD OR COMMISSION RECOMMENDATION	N/A
STAFF RECOMMENDATION	Staff recommends that a purchase order be issued for the builders risk policy to Chubb Insurance Company in the amount of $279,900.
REFERENCE DOCUMENTS ATTACHED	Charlesworth & Associates, LC Letter and Spreadsheet

RESOLUTION NO. R-15-118

A RESOLUTION TO AUTHORIZE ISSUANCE OF A PURCHASE ORDER FOR $297,700 TO CHUBB INSURANCE COMPANY FOR BUILDERS RISK INSURANCE.

BE IT RESOLVED, by the Board of Commissioners of the City of Coffeyville, KS, that the Finance Director be and is hereby authorized and directed to issue a purchase order for $297,700 to Chubb Insurance Company for builders risk insurance for the electric new generation project.

Insurance Company	Chubb Insurance Company
Policy Coverage Period	10/01/2015 to 9/30/2016

ADOPTED THIS 22nd DAY OF SEPTEMBER 2015.

_____
Christopher V. Williams, Mayor

ATTEST:

_____
Cindy Price, City Clerk

APPROVED AS TO FORM AND LEGALITY:

_____
Paul Kritz, City Attorney

CHARLESWORTH & ASSOCIATES, LC
Insurance Consulting & Risk Management

Bob Charlesworth, CPCU, ARM, ALCM, AIS
James Charlesworth, ARM
Connie Sargent, ARM
Joan Dostal, CPCU
Art Charlesworth, CPCU, CLU, ARM, *Founder Emeritus*

P.O. Box 23588
Overland Park, KS 66283-0588
913-851-4730
Fax: 913-851-1993
www.charlesworth.net

September 18, 2015

Ms. Stephanie Richardson
Director of Finance
City of Coffeyville
102 West Seventh Street
Coffeyville, KS 67337

Re: **Electric Utility Builder's Risk Insurance**
October 1, 2015 – October 1, 2016

Dear Ms. Richardson:

The following is offered as an overview of the electric utility builder's risk insurance marketing project. Our firm was retained by the City to assist in the preparation of proposal specifications, management of the underwriting process, reviewing the proposals and preparing a comprehensive spreadsheet comparing coverages, conditions and premiums. The marketing of the builder's risk was done in conjunction with the electric utility marketing effort recently presented to the City Commission.

Background

Proposal specifications were developed and provided to the incumbent insurance agent as well as other insurance agencies who responded to a published public notice. The RFP included a detailed proposal format that each participant was required to complete to assure a full understanding of the program. All agency communication was managed by our office.

Three participants responded to the public notice and received the RFP including the incumbent agency (Coffeyville Insurance), Arthur J. Gallagher and Wood-Dulohery Insurance. Proposals were due in our office by August 17, 2015.

Analysis

The City's current utility insurer, Federal Insurance Company / Chubb, was the only company that offered a proposal for the builder's risk program. This program is through the City's current property/casualty insurance agency (Coffeyville Insurance). Neither Arthur J. Gallagher nor Wood-Dulohery Insurance were successful in finding an insurer willing to offer a proposal. Due to Gallagher being one of the largest brokers in the insurance industry, we contacted them after the proposal due

date to see if additional time would allow them to secure proposals. After reaching out to their markets again, Gallagher confirmed that the feedback from their carriers was that the Chubb program is the superior market for electric utilities from both a pricing and coverage standpoint. Thus, all carriers declined to offer proposals. Gallagher did indicate that they would be willing to be the broker for the builder's risk insurance program at a slight savings to the City since they charge commission on a fee basis rather than a percentage basis; however, the savings appears to be only $3,000 - $4,000.

Federal Insurance Company (Chubb)

Federal Insurance Company / Chubb has been the City utility's insurer for several years and have proven to be an important insurance partner. They offer a fully insured product and maintain an AM Best rating of A++:XV, the highest rating available. Their program provides excellent coverages and conditions designed to respond to reasonably foreseeable events and exposures. The total premium for the Chubb builder's risk insurance program is $279,900.

Summary

Although we were disappointed that additional proposals could not be obtained, we are confident that all possible markets were approached and we were able to confirm that the Chubb program is recognized as an industry leader and their terms, conditions and premiums are difficult to beat. The City's experience with this insurer on their property and casualty insurance program has been excellent and placing the builder's risk program with them will make for a smooth transition when the project is complete.

It is therefore our recommendation that the City Commission give consideration to approving the Chubb electric utility builder's risk insurance program as proposed for an annual premium of $279,900.

Respectfully,

James Charlesworth, ARM

JC/cs
Encl.

COFFEYVILLE MUNICIPAL LIGHT AND POWER

October 2015 - October 2016

BROKER: COFFEYVILLE INSURANCE ASSOC.
Coffeyville, KS

INSURER & BEST RATING: Chubb (A++: XV)

BUILDER'S RISK

LIMIT:	$58,000,000 Construction Works $4.200,000 Soft Costs* (72 Hour Waiting Period) *Business Income & Extra Expense
DEDUCTIBLE: (Requested $25,000)	$50,000 Per Occurrence Property Damage $250,000 Per Occurrence Hot Testing
SPECIAL CAUSE OF LOSS:	Yes
RISK OF DIRECT PHYSICAL LOSS:	Yes
REPLACEMENT COST:	Yes
INCLUDE BUILDING MATERIALS:	Yes
INCLUDE SUPPLIES:	Yes
INCLUDE MACHINERY:	Yes(Legally liable for or declared in contract)
INCLUDE EQUIPMENT:	Yes(Legally liable for or declared in contract)
INCLUDE PROPERTY OF OTHERS:	Yes, if legally liable
INCL. PAVING, CURBING, FENCES & OUTDOOR FIXTURES:	Not Noted
INCL. TREES, SHRUBS, PLANTS & LAWNS:	Yes, if value has been declared in contract on file with insurance company. Limited Perils.
INCL. FOUNDATIONS OF BLDGS AND FOUNDATIONS IN THE COURSE OF CONSTRUCTION:	Yes
INCL. COLLAPSE:	Yes
INCL. USE OF DEFECTIVE MATERIALS IN CONSTRUCTION:	Detective material itself is not covered but ensuing damage resulting from covered periil is covered.
INCL. SCAFFOLDING, CONSTRUCTION FORMS & TEMPORARY STRUCTURES:	Yes,(Scaffolding erection costs but not scaffolding itself)

COFFEYVILLE MUNICIPAL LIGHT AND POWER

October 2015 - October 2016

BROKER: COFFEYVILLE INSURANCE ASSOC.
Coffeyville, KS

INSURER & BEST RATING: Chubb (A++: XV)

BUILDER'S RISK (CONTINUED)

INCL. DEBRIS REMOVAL:	Yes, 25% of loss
INCL. BACKUP OF SEWERS, DRAINS & PUMPS:	Not Noted
INCL. POLLUTANT CLEAN-UP & REMOVAL:	Yes(Does not apply if occurred prior to the effective date of the policy.
INCL. BUILDING ORDIINANCE LAWS:	Yes, Policy Limits
INCL. PRESERVATION OR PROPERTY:	Yes
INCL. EARTH MOVEMENT:	Not Included -- See option below for $10 Million
INCL. FLOOD:	Not Included -- See option below for $10 Million
INCL. MECHANICAL BREAKCOWN: INCL. COVERAGE DURING TESTING: INCL.. HOT TESTING:	Yes, only during the testing period of 8/17/16 to 11/28/16
INCL. EXPEDITING EXPENSES:	Not Noted
INCL. BUSINESS INCOME: 12 MONTHS:	Yes, included in softcosts
ANNUAL PREMIUM:	**$279,900**
Terrorism:	$7,407 Additional

EARTHQUAKE & FLOOD OPTION: EARTHQUAKE WITH $10,000,000 LIMT AND FLOOD WITH $10,000,000 LIMT:	$10,000 Annual Additional Premium

DEDUCTIBLE OPTION:	$50,000 Per Occurrence Property Damage $500,000 Per Occurrence Hot Testing
ANNUAL PREMIUM:	$217,700 ($62,200 Reduction)