



# City of Grand Island

Tuesday, September 10, 2013

Council Session

## Item G-8

**#2013-302 - Approving Boiler, Machinery and Terrorism Insurance for the Utilities Department**

Staff Contact: Tim Luchsinger, Stacy Nonhof

# Council Agenda Memo

**From:** Tim Luchsinger, Utilities Director  
Stacy Nonhof, Assistant City Attorney

**Meeting:** September 10, 2013

**Subject:** Boiler, Machinery, and Terrorism Insurance Renewal –  
Utilities Department

**Item #'s:** G-8

**Presenter(s):** Tim Luchsinger, Utilities Director

## Background

The Utilities Department Boiler and Machinery Property Peril and Fire insurance expires October 1, 2013. This insurance is specifically designed for Electric Utilities and is readily adaptable to the Water Utility, which is also included in the coverage. The standard policy excludes losses due to acts of terrorism unless the optional Terrorism Insurance is accepted. The Utilities Department's insurance provider, FM Global, provided the attached proposal for renewal of the present coverage.

The complete policy is available in the Utilities office for review, along with a Policy Holder Disclosure form for execution by the City, either accepting or rejecting terrorism coverage. The renewal proposal and proposed policy have been reviewed by the Legal Department.

## Discussion

Key provisions included in the proposed renewal are an increase in the insured valuation from \$500,873,124.00, to \$523,249,700; a premium increase of \$12,835, which results in an annual premium change from \$406,157.00 for the current year to \$418,992, for the 2013-2014 year; and a premium increase of \$621 for Terrorism Insurance, which results in an annual premium change from \$23,683.00 for the current year to \$24,304 for the 2013-2014 year.

The increase in insured valuation of assets was reviewed by Utility staff and is in line with replacement costs seen in the utility industry, as well as the resulting policy premium increase.

The annual premium to add terrorism coverage is \$24,304. The probability that a relatively remote location in the central part of the nation would be targeted for a terrorist attack may be very unlikely, but the determination of a terrorist attack is not clearly defined, such as an attack similar to the Oklahoma City Federal Building. Regardless of the cause, the loss of a high valued asset as the Platte Generating Station must be protected from risk, and the acceptance of Terrorism Insurance is recommended.

The premium for the renewal of the Boiler and Machinery, Property Peril, and Fire coverage is \$443,296, which includes Terrorism Insurance, and is recommended by the Utilities Department for approval.

### **Alternatives**

It appears that the Council has the following alternatives concerning the issue at hand. The Council may:

1. Move to approve
2. Refer the issue to a Committee
3. Postpone the issue to future date
4. Take no action on the issue

### **Recommendation**

City Administration recommends that the Council approve renewal of the Utilities Department's Boiler and Machinery, Property and Peril, and Fire Insurance with FM Global, and execution of the Notice of Terrorism Insurance Coverage form to accept that coverage.

### **Sample Motion**

Move to approve acceptance of the FM Global Insurance for the Utilities Department, with authorization to accept the Terrorism Coverage.

RESOLUTION 2013-302

WHEREAS, the City's Utility Department subscribes to insurance for boiler and machinery, property, peril and fire coverage; and

WHEREAS, the boiler and machinery, property, peril and fire coverage insurance term expires October 1, 2013; and

WHEREAS, the insurance of electric and water utilities facilities is a specialized market with a limited number of potential providers; and

WHEREAS, valuation adjustments resulted in an increased total insured value of property from the present amount of \$500,873,124.00 to \$523,249,700; and

WHEREAS, a proposal to renew insurance for the 2013 – 2014 fiscal year was received from the current provider, Factory Mutual Insurance Company of St. Louis, Missouri, for a renewal premium of \$443,296, including the terrorism coverage; and

WHEREAS, the City has opted to accept the optional Terrorism Insurance Coverage; and

WHEREAS, the insurance provider requires that the City either accept or reject Terrorism Insurance Coverage by executing the form provided.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF GRAND ISLAND, NEBRASKA, that the proposal of Factory Mutual Insurance Company of St. Louis, Missouri, with premium in the amount of \$418,992, is hereby approved, and to execute the form to accept Terrorism Insurance Coverage, with a premium in the amount of \$24,304, for a total of \$443,296.

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Adopted by the City Council of the City of Grand Island, Nebraska, September 10, 2013.

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Jay Vavricek, Mayor

Attest:

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RaNae Edwards, City Clerk

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|---------------------|-----------------|
| Approved as to Form | ☐ _____         |
| September 6, 2013   | ☐ City Attorney |