****

**MEMORANDUM**

TO: Burlington Board of Finance (BOF)

Burlington City Council (BCC)

Board of Electric Commissioners (BEC)

FROM: Paul G. Alexander, Manager of Risk Management & Governmental Affairs

DATE: August 28th, 2013

SUBJECT: **B.E.D.’s Property/Boiler and Machinery (B&M) Insurance renewal**

**Recommendation:**

That the Burlington Finance Board, City Council and Electric Commissioners authorize the Electric Department to renew our Property/B&M Insurance with NU/Chartis/AIG.

**Discussion:**

Our current Property/B&M Insurance coverage with NU/Chartis/AIG is scheduled to expire on 10/1/2013 for which we currently pay a premium of $202,000. Through our broker/agent (Paul Plunkett of Hickok & Boardman) we have been in the process of securing bids from major carriers AIG, Chubb and Liberty Mutual (see attached pdf’s *H&Bcovlet2013* and *H&Bcomp2013*). Of the responses, the incumbent carrier (AIG) is offering by far the best terms. Their quote of $228,260 is **13.0%** higher compared to last year’s premium with the same sub-limits and deductibles and **5.1%** higher compared to what was estimated in the FY’14 budget ($217,150). Chubb’s quote was $273,306 and Liberty Mutual indicated that could not compete with either AIG or Chubb on price. Our Property total insurance value (TIV) of $248,460,000 is **8.00%** higher compared to last year’s $230,060,000 TIV, and AIG’s very competitive rate of $.0919 per $100 of TIV (vs. last year’s $0.0878) accounts for the remaining **4.63%** of the total 13.0% premium increase (see attached *PROP Prem History 2013.xlsx*). In summary, we are seeking approval to bind this coverage with NU/Chartis/AIG at a price of $228,260.

**Impact on Budget:**

Our FY’14 budgeted amount of $213,363 (produced in January 2013) was calculated using 3 months at the “current/known” premium amount ($202,000) and 9 months at the projected amount ($217,150) which was at the **estimated 7.5% increase** over the known amount of $202,000. Please note our insurance policy period is from 10/1/13 to 10/1/14, whereas our fiscal year period is from 7/1/13 through 6/30/14.

Respectfully submitted,

Paul G. Alexander, CPCU, ARM-P

Manager of Risk Management & Governmental Affairs

c: Barbara Grimes, General Manager