



SHAKER HEIGHTS

Memorandum

To: Members of Risk Management Task Force
From: Sandra Middleton, Human Resources Manager
cc: Mayor David E. Weiss
Chief Administrative Officer Jeri E. Chaikin
Date: September 5, 2019
Re: Property Appraisal

As you recall, The City contracted with Compensation Analysis, Inc., Daniel O'Brien, Principal to provide insurance and risk management consulting services. As part of these services Mr. O'Brien recommended that the City conduct a formal real property appraisal.

Currently, the City has 125% margin clause. The margin clause limits a property loss to a specific, per location limit rather than having the entire property blanket limit available for loss. Mr. O'Brien stated that the insurance company, Argonaut, would remove the margin clause if a real property appraisal was completed.

The City acted on Mr. O'Brien's recommendation and contracted with Industrial Appraisal Company to perform a property appraisal. The appraisal took place May 1-2, 2019. Attached is a summary of the appraisal that serves as a certificate of completion.

The current Cost of Reproduction New in the 2019 insurance policy is \$56,055,504. The appraisal increased the Cost of Reproduction New to \$58,034,790. The removal of the margin clause will allow for the entire \$58,034,790 being available in the event of a loss for reproduction of one property. As it stands with the margin clause only 125% of the loss property value would be available for reproduction in the event of a loss.

The entire appraisal was reviewed by the City's insurance broker, McGowan. McGowan advised that the City has two options.

1. Submit the report to Argonaut now and the increase in property value will require an increase in the annual premium. The increase would be payable immediately. This would eliminate the margin clause.
2. Submit the report to Argonaut at renewal, December 31, 2019. This will increase the premium going forward. This would remove the margin clause. **Please note:** The City will be asking for a 3 month extension on the policy so the actual renewal date may be April 1, 2020.

The City is looking for a recommendation on which option to pursue.