



AGENDA MEMORANDUM

Action Item for the City Council Meeting: April 14, 2020

DATE: March 9, 2020

TO: Peter Zaroni, City Manager

FROM: Miles Risley, City Attorney
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826-3739

Renewal of property insurance

CAPTION:

Resolution authorizing renewal of property insurance, including All Risk, Flood, Named Storm, Wind/Hail, Earthquake, and Equipment Breakdown insurance, through Carlisle Insurance Agency, Broker of Record, for upcoming policy year (May 5, 2020 - May 5, 2021) in exchange for annual premium of \$2,886,299.

SUMMARY:

The current Property Insurance policy expires May 5, 2020. This will be the last renewal under the current Broker of Record service agreement with Carlisle Insurance which will expire December 15, 2020. Limits, coverage and deductible structures will remain as per expiring policy.

BACKGROUND AND FINDINGS:

The City's Property Insurance Program currently carries property insurance coverage including: All Other Perils, Flood, Earth Movement, Wind, Named Storm and Equipment Breakdown (Boiler/Machinery). The City's Property Insurance Program is a multi-layered program comprised of participating admitted and non-admitted commercial insurance carriers. In addition to traditional insured property (buildings and contents), the City's schedule of insured property includes other specialty insurance type risks including; wharves, baseball stadium, docks, piers and fine arts. (The City also purchases through our broker of record flood insurance for property located wholly or partially within the Special Flood Hazard Areas (SFHA) as defined by the Federal Emergency Management Agency (FEMA) in Flood Zone A and V through the National Flood Insurance Program (NFIP) that **is not** included in this amount). Total Insured Values for Policy year 2020-21 are \$706,933,206 which is approximately 0.2% over last year.

Market conditions continue to deteriorate due to abnormally high worldwide catastrophic events. The past three years contracted and hardened the property market thereby increasing rates at levels that have not been seen since Hurricane Katrina and Rita, which increased this year's renewal rates by 31.7% resulting in an overall net increase in property premium by \$691,239. Staff has projected for a 15% to 25% increase the last two years and conservatively budgeted again this year for an increase in this year's renewal. The property insurance market is expected

to continue to contract and harden but not continue at the increase levels seen the last two renewals. The City's Risk Management Division and Carlisle Insurance Agency have collaborated to present below the FY20-21 property insurance renewal. In addition, the prior property insurance renewals over the last four years is summarized in the following table.

DESCRIPTION	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21
Total Insured/Value \$	\$696,422,133	\$707,244,943	\$703,725,410	\$704,560,606	\$706,933,206
Property Rate (per \$100 value)	\$0.2874	\$0.2761	\$0.2999	\$0.3115	\$0.4083
Includes recommended option					
Property premium (primary/excess/)	\$2,001,750	\$1,952,915	\$2,095,849	\$2,180,216	\$2,871,455
Premium +/-	\$<776,638> (28% decrease from previous yr.)	\$<48,835> (2.4% decrease from previous yr.)	\$157,565 (7.3% increase from previous yr.)	\$84,201 (4% increase from previous yr.)	\$691,239 (31.7% increase from previous yr.)
Limits/All Risk	\$250,000,000	\$250,000,000	\$250,000,000	\$250,000,000	\$250,000,000
Named Storm	\$150,000,000	\$150,000,000	\$150,000,000	\$150,000,000	\$150,000,000
Flood/ Earth Movement	\$ 25,000,000	\$ 50,000,000	\$ 50,000,000	\$ 50,000,000	\$ 50,000,000
Coverage/Peril	Deductible	Deductible	Deductible	Deductible	Deductible
All Risk	\$50,000 per occur.	\$50,000 per occur.	\$50,000 per occur.	\$50,000 per occur.	\$50,000 per occur.
Flood (storm surge incl.)	\$100,000 per occur.	\$100,000 per occur.	\$100,000 per occur.	\$100,000 per occur.	\$100,000 per occur.
Named Storm	2% Total Insurable values at the time of the loss at each location involved in the loss or damage arising out of the named storm subject to a minimum of \$250,000 any one occurrence and max. of \$4,000,000 any one occurrence.	2% Total Insurable values at the time of the loss at each location involved in the loss or damage arising out of the named storm subject to a minimum of \$100,000 any one occurrence and max. of \$4,000,000 any one occurrence.	2% Total Insurable values at the time of the loss at each location involved in the loss or damage arising out of the named storm subject to a minimum of \$100,000 any one occurrence and max. of \$4,000,000 any one occurrence.	2% Total Insurable values at the time of the loss at each location involved in the loss or damage arising out of the named storm subject to a minimum of \$100,000 any one occurrence and max. of \$4,000,000 any one occurrence.	2% Total Insurable values at the time of the loss at each location involved in the loss or damage arising out of the named storm subject to a minimum of \$100,000 any one occurrence and max. of \$4,000,000 any one occurrence.
Wind/Hail	\$250,000 per occur	\$50,000 per occur	\$50,000 per occur	\$50,000 per occur	\$50,000 per occur
Earth Movement	\$100,000 per occur	\$50,000 per occur	\$50,000 per occur	\$50,000 per occur	\$50,000 per occur
Optional Coverage					
Equipment Breakdown	-----	-----	\$14,631	\$14,465	\$14,844
Total:	\$2,001,750	\$1,952,915	\$2,110,480	\$2,194,681	\$2,886,299

ALTERNATIVES:

If this item is not approved, the alternative is for the City to fully self-insure property losses. However, the City of Corpus Christi Risk Fund is not calculated to fully insure large catastrophic losses attributed to perils such as hurricane, tornados, or large-scale flooding events.

FISCAL IMPACT:

Risk Management included this expenditure of \$1,178,243 in its FY 2019-2020 budget. The Risk Management fund is an internal services operating fund based on departmental property value cost allocation to each department. Approval of this item is an annual reoccurring expenditure to limit the City's financial exposure under its current property insurance program.

Funding Detail:

Fund: Fund 5611-Liab/EB Liab.; Fund 1140-Business Job Dev.; Fund 4710-Visitor Facility

Organization/Activity: Org. 40520-Insurance Policy Premiums; Org.13826-Baseball Stadium; Org. 13625-Arena Operations; Org. 13600-Convention Center/Auditorium Operations;

Mission Element: 005, 734, & 734

Project # (CIP Only): N/A

Accounts: 537090-Flood Ins., 537095-Windstorm Ins., & 537420-Property Ins.

RECOMMENDATION:

Staff recommends the City renew its property insurance as illustrated above as per expiring policy with the same coverage, limits, sub- limits, deductible structure and policy terms and conditions.

LIST OF SUPPORTING DOCUMENTS:

Resolution

December 15, 2015 Broker of Record Service Agreement

December 19, 2017 Amended Broker of Record Service Agreement

March 13, 2020 Property Renewal Quote