



AGENDA MEMORANDUM

Action Item for the City Council Meeting April 20, 2021

DATE: March 22, 2021
TO: Peter Zanoni, City Manager
FROM: Miles Risley, City Attorney
Milesr@cctexas.com
(361) 826-3873

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, 2021 - May 4, 2022) in exchange for annual premium of \$3,526,444.

SUMMARY:

The current property insurance policy expires May 4, 2021. This will be a renewal under a six-month extension of the current Broker of Records Service agreement with Carlisle Insurance expiring June 1, 2021. 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: wharves, baseball stadium, docks, piers and fine arts. The City also purchases through our broker of record agreement 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 that **is not** included in this amount).

This year the city conducted a property assessment at the request of our carriers, to provide a more accurate value assessment of each structure at each location in order to secure quotes from current carriers. The result of the survey increased Total Insured Values (TIV) for Policy year 2021-22 to \$761,086,240, representing a \$55,003,034 or a 7.79% increase over last year's TIV.

Further, worldwide catastrophic events the last five years continue to increase rates at same levels seen after Hurricanes Katrina and Rita, although there seems to be some indication that property markets

may be stabilizing, this, however, is contingent upon the forecast and outcome of the upcoming Hurricane season. Another factor in the rate and premium increase is that the City has sustained property losses for Hurricane Harvey, Hurricane Hannah and the recent Winter storm Uri which are still open claims.

	<i>FY17-18</i>	<i>FY18-19</i>	<i>FY19-20</i>	<i>FY20-21</i>	<i>FY21-22</i>
Total Insured/Value \$	\$707,244,943	\$703,725,410	\$704,560,606	\$706,083,206	\$761,086,240 (7.79% increase)
Property Rate (per \$100 value) <i>Includes recommended option</i>	\$0.2761	\$0.2851	\$0.3115	\$0.4029	\$0.4633 (14.99 % rate increase)
Property premium (primary/excess/)	\$1,952,915	\$2,095,849	\$2,180,216.15	\$2,829,739	\$3,505,755
Premium +/-	\$48,835 (2.4% decrease from previous yr.)	\$157,565 (7.3% increase from previous yr.)	\$85,367 (4% increase from previous yr.)	\$691,239 (31.7% increase from previous yr.)	\$681,879 (23.97% 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	\$ 50,000,000	\$ 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 \$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.	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	\$50,000 per occur	\$50,000 per occur	\$50,000 per occur	\$50,000 per occur	\$50,000 per occur
Earth Movement	\$50,000 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	\$14,826	\$20,677
Total:		\$2,110,480	\$2,194,681	\$2,844,565	\$3,526,444

Risk Management will employ the following strategies to stabilize increasing premiums:

- continue to refine the schedule of properties to lower the total insured values, and
- revise the property deductible structure and lower coverage limits for different perils.

ALTERNATIVES:

Risk Management and Legal Department personnel extensively examined options to reduce coverage by increasing deductibles. Major increases to the City's deductible yielded relatively small savings to the current premium. An increase in the general deductible from \$50,000 to \$250,000, coupled with an increase in the named storm deductible from 2% per unit to 3% per unit and from \$100,000 aggregate minimum to \$1,000,000 minimum yielded a premium reduction of less than \$200,000. Nonetheless, significant increases in deductible will be considered in the upcoming policy year as a method of reducing the number of claims the City makes.

Another alternative that must always be considered is eliminating coverage entirely. We recommend against going bare at this time. The City of Corpus Christi Risk Fund is not actuarially calculated to insure against large catastrophic losses. Such an increase in risk could adversely affect risk perceived by entities that purchase the City's debt instruments, increasing the City's borrowing costs.

FISCAL IMPACT:

Risk Management included this expenditure in its FY 2021-2022 budget. The Risk Management fund is an internal 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-Ins Policy Premiums; Org.13826-Baseball Stadium;
Org. 13625-Arena Operations; Org. 13600-Convention Center/Auditorium Operations;
Mission Element: 005, 734, & 734

Project # **(CIP Only):**

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

RECOMMENDATION:

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

LIST OF SUPPORTING DOCUMENTS:

Resolution
Historical TIV Cost graph
Historical Property Rate graph
City of Corpus Christi 5 year Property Loss History