



AGENDA MEMORANDUM

Action Item for the City Council Meeting April 29, 2025

DATE: April 15, 2025

TO: Peter Zanoni, City Manager

FROM: Miles Risley, City Attorney
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Resolution authorizing the renewal of property insurance, including All Other Perils, Flood, Named Storm, Wind/Hail, Earth Movement, and Equipment Breakdown insurance, through Acrisure, Broker of Record, for the upcoming policy year (May 4, 2025-May 4, 2026), for an annual premium of \$3,178,178.61.

CAPTION: Resolution authorizing the renewal of property insurance, including All Other Perils (AOP), Flood, Named Storm, Wind/Hail, Earth Movement, and Equipment Breakdown insurance, through Acrisure, Broker of Record, for the upcoming policy year (May 4, 2025-May 4, 2026), for an annual premium of \$3,178,178.61.

SUMMARY: The current property insurance policy expires May 4, 2025. Limits, coverage and deductible structures are illustrated in the attached graph. **This year, due to improving markets the City was able to maintain the total limit of liability of \$75,000,000 with a premium cost savings of \$576,935.08.** Coverage will extend to locations and buildings valued over \$1,000,000. If the insurance market continues to stabilize, Risk Management will continue to recommend increased higher total limits of liability when cost feasible.

BACKGROUND AND FINDINGS:

The City's Property Insurance Program, a Tier I coastal risk, currently carries property insurance coverage which includes: AOP, Flood, Earth Movement, Wind, and Named Storm, with Equipment Breakdown (Boiler/Machinery) included as part of the coverage. The City's property insurance program is a multi-layered program comprised of participating admitted and non-admitted commercial insurance carriers. In addition to traditionally 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. In addition, the City purchases flood insurance through our Broker, for property located in FEMA Special Flood Hazard Areas A and V through the National Flood Insurance Program (NFIP) that **is not** included in this amount).

Over the last seven years, the property insurance market has sustained world-wide catastrophes. Destabilized property insurance markets decreased their capacity to write property insurance, especially in coastal areas, posing incredible challenges for the City to maintain adequate limits and acceptable deductible structure within allotted budget. Two years ago, the City's property insurance program was significantly altered, as policy limits were drastically reduced from \$250,000,000 total policy limit to

\$50,000,000. Deductibles were also significantly increased for AOP, Wind/Hail and Earth Movement from \$50,000, \$100,000 and \$250,000 to the current \$500,000 deductible for all property coverage. Last year the City was able to secure an additional \$25,000,000 in total policy limits. This year the market continued to slightly improve, which allowed Acrisure to:

- maintain \$75,000,000 total limit of liability policy.
- maintain the current \$500,000 deductible structure for property valued at \$1,000,000 for AOP, Winds/Hail Flood and Earth movement. The city has more than 600 structures in its inventory that are lower-valued locations for which the city manages its risk internally.
- maintain current Named Storm deductible of 3% of total insurable value per building.

ALTERNATIVES: An alternate proposal which was submitted but not selected provided an additional \$25,000,000 of total limit of liability coverage but with a \$68,446.05 increase in premium. However, it is Risk Management's objective to maintain current coverage limits with a significant 15.36 % decrease in a premium savings of \$576,935.08. When the market allows Risk Management's goal is to increase total limits of liability policy more aligned with the total insured value property portfolio risk of the city.

Another alternative is for the City to fully self-insure property losses. However, such an increase in risk might be considered negative for the City's bond rating agencies. Any decrease in credit rating would quickly absorb any self-insurance savings. Further, the City has not established a property self-insurance fund which is necessary to absorb the risk of a catastrophic event.

FISCAL IMPACT: This item is within budget, registering a **15.36% decrease in premium (\$576,935.08)** from expiring policy year. Risk Management included this expenditure in its FY 2025-2026 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 1030-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;

Departments: 054, 034, & 034

Project # (**CIP Only**):

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

RECOMMENDATION:

Staff recommends the City renew its property insurance as illustrated below maintaining its current policy limit and deductible structure.

LIST OF SUPPORTING DOCUMENTS:

Certification of Funds

Resolution

Historical Timeline

Property Limit Survey

	<i>FY21-22</i>	<i>FY22-23</i>	<i>FY23-24</i>	<i>FY24-25</i>	<i>FY25-26</i>
Total Insured/Value \$	\$761,086,240	\$769,065,740	\$764,589,621	\$674,167,737	\$697,790,392
Property Rate (per \$100 value)	\$0.4598	\$0.5107	\$0.5175	\$0.5570	\$0.4555
Premium	\$3,602,050	\$3,927,242	\$4,515,436 <i>but reduced to \$3,932,135 by removing aquarium, which had reimbursed City in past.</i>	\$3,749,609	\$3,178,178.61
Premium +/-	\$751,633 (26% increase from prev. yr)	\$345,869 (10% increase from prev. yr)	\$615,373 (16% increase from prev. yr)	\$ -182,526 (4.5% decrease from prev. yr)	\$576,935 (15.36% decrease from prev. yr)
Limits/All Risk	\$250,000,000	\$250,000,000	\$ 50,000,000	\$75,000,000	\$ 75,000,000
Named Storm	\$150,000,000	\$150,000,000	\$ 50,000,000	\$75,000,000	\$ 75,000,000
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 Other Perils-per occurrence	\$50,000	\$50,000	\$250,000	\$500,000	\$500,000
Flood-per occur (storm surge included)	\$100,000	\$100,000	\$250,000	\$500,000	\$500,000
Flood-per occur (storm surge included)	\$500,000 each building & \$500,000 for contents;	\$500,000 each building & \$500,000 for contents;	\$500,000 each building & \$500,000 for contents;	\$500,000 each building and \$500,000 for contents in each building,	\$500,000 each building and \$500,000 for contents in each building,
<i>Locations wholly or partially within Special Flood Hazard Areas</i>	\$100,000 Time Element	\$100,000 Time Element	\$250,000 Time Element	\$500,000 Time Element	\$500,000 Time Element
Named Storm	2% of Total Insurable value 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% of Total Insurable value 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.	3% of Total Insurable value 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. No Max Cap protection.	3% of Total Insurable value 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 \$500,000 any one occurrence No Max. Cap protection.	3% of Total Insurable value 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 \$500,000 any one occurrence. Carriers are not offering max. cap protection.
Wind/Hail-per occur	\$50,000	\$50,000	\$250,000	\$500,000	\$500,000
Earth Movement-per occur	\$50,000	\$50,000	\$250,000	\$500,000	\$500,000
Equipment Breakdown (Boiler & Machinery)	\$2,500	\$2,500	\$2,500	\$5,000	\$5,000