



AGENDA MEMORANDUM

Action Item for the City Council Meeting April 19, 2022

DATE: March 21, 2022
TO: Peter Zanoni, City Manager
FROM: Miles Risley, City Attorney
mrisley@cctexas.com
(361) 826-1941

Josh Chronley, Assistant Director of Contracts and Procurement
JoshC2@cctexas.com
(361) 826-3169

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 the upcoming policy year (May 5, 2022-May 4, 2023), for an annual premium of \$3,927,242.

CAPTION:

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SUMMARY:

The current property insurance policy expires May 4, 2022. This renewal is under current Broker of Records Service agreement with Carlisle Insurance. 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).

Last year, our property insurers were unwilling to submit bids unless we updated our property assessment. Our updated 2021 assessment increased our Total Insured Values (TIV) for Policy

year 2021-22 to \$761,086,240. This year's policy year 2022-23 renewal is based on that assessment with the additional acquisition of Frost Bank, which pushed our TIV to \$769,065,740.

Worldwide catastrophic events the last five years continue to push property rates upward at levels seen after Hurricanes Katrina and Rita. Last year it appeared for a period of time that rates were stabilizing, however, that did not turn out to be the case, winter storm Uri, across Texas last year affected property insurance rates and continued to affect the market. The City's recent property loss history for Hurricane Harvey, Hurricane Hannah, and now Winter storm Uri is also another contributing factor for the rate increase.

	<i>FY18-19</i>	<i>FY19-20</i>	<i>FY20-21</i>	<i>FY21-22</i>	<i>FY22-23</i>
Total Insured/Value \$	\$703,725,410	\$704,560,606	\$706,083,206	\$761,086,240	\$769,065,740
Property Rate (per \$100 value)	\$0.2851	\$0.3115	\$0.4029	\$0.4598	\$0.5107
Premium	\$2,110,480	\$2,194,681	\$2,884,565	\$3,602,050	\$3,927,242
Premium +/-	\$157,565 (7% increase from prev yr.)	\$85,367 (4% increase from prev yr.)	\$691,239 (32% increase from prev yr.)	\$751,633 (26% incr from prev yr.)	\$345,869 (10% increase from prev 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-per occurrence	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
Flood-per occur (storm surge included)	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
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.	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	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.
Wind/Hail-per occur	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
Earth Movement-per occur	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
Equipment Breakdown (Boiler & Machinery)	\$2500	\$2500	\$2500	\$2500	\$2500

Future strategies to address increasing premiums, if needed:

- Continue to work with departments to refine and scrub property schedule
- Review and deductible structure and consider increasing and retaining additional risk
- Consider analyzing feasibility of lowering coverage limits for the different types of perils

ALTERNATIVES:

Every year, the Risk Management Division obtains alternative bids for insurance coverage. The only alternate bid that saved more than \$100,000 was a bid for coverage that increased the deductibles across-the board to \$250,000 and 3% for Named Storm and maximum payment on Named Storm from \$4 million to \$5 million. This alternative bid reduced the total annual premium from \$3,945,893 to \$3,779,618. The potential savings from an alternative higher-deductible bid is relatively low in the first year, but savings would increase in following years as a result of improved claims history.

Also, if this item is not approved, another alternative is for the City to fully self-insure property losses. However, such an increase in risk might be considered a negative for the City's bond rating agencies. Any decrease in credit rating would quickly absorb any self-insurance savings.

FISCAL IMPACT:

Risk Management included this expenditure in its FY 2022-2023 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. Future premiums renewals which are less may be subject to automatic renewal.

LIST OF SUPPORTING DOCUMENTS:

Resolution

Historical TIV and Cost graph

Historical Timeline Property Rates graph

Texas City Property Survey