



## AGENDA MEMORANDUM

Future Item for the City Council Meeting of April 14, 2015

Action Item for the City Council Meeting of April 21, 2015

**DATE:** April 14, 2015

**TO:** Ronald L. Olson, City Manager

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### All Risk Property Insurance Coverage

#### **CAPTION:**

Motion authorizing the City Manager to execute a one-year agreement, with Borden Insurance and McGriff, Seibels & Williams of Texas, Inc., for the purchase of all risk property insurance coverages totaling \$2,752,388 of which \$1,131,117.95 is required for the remainder of FY2014-2015. Funds have been budgeted by the Legal Department in FY2014-2015.

#### **PURPOSE:**

The City's Property Insurance Program currently carries Property Insurance coverage including: All Other Perils, Flood, Earth Movement, Wind, Named Storm and Equipment Breakdown coverages. The City's Property Insurance Program is a layered program with admitted and non-admitted commercial carriers participating. A total of thirteen (13) property insurance carriers provide \$250,000,000 "All Other Perils" coverage and \$150,000,000 "Named Storm" coverage. Total Insured Values are estimated at \$627,286,300 which includes buildings & contents and other vertical structures.

#### **BACKGROUND AND FINDINGS:**

In October 2014, the City's Risk Management Division began the process of creating a single criteria Request for Proposal (RFP) for an All Risk Property Insurance Program. With the assistance of the City's Insurance Consultant, RWL Group, Inc. and the Senior Buyer of the City's Purchasing Department, the RFP was advertised and issued on January 30, 2015. The evaluation team reviewed the proposal in order to verify compliance with all of the minimum requirements set forth in the RFP. The Borden Insurance and McGriff, Seibels & Williams, Inc., joint proposal includes a 10.7% rate decrease for 2015-16 and a rate reduction guarantee of an additional 1.37% for the 2016-17 policy period. Despite an increase in the City's Total Insured Values of \$45,357,796 (7.79%), from last year, the proposed premium is \$108,367 (3.78%) less than the current premium.

Attached is a Six-Year Comparison Summary of the City's Property Insurance Program which depicts the decline in premium and rates from 2010-2015. A significant 2012 Hurricane Season caused property insurance markets to harden which resulted in the limit decreases and increases in both rate and premium. Both the premium and rate have declined over the six year period despite Total Insured Values increasing by \$124,275,353.

The contract contains four one-year options for renewal because they were requested in the original RFP and therefore were contained in the response. Later this year, City Council will be selecting a broker of record for subsequent insurance renewals. These options for renewal may become inapplicable, depending on the contractual relationships between the selected broker of record and the wholesale broker and insurance underwriters.

**ALTERNATIVES:**

Not applicable.

**OTHER CONSIDERATIONS:**

Not applicable.

**CONFORMITY TO CITY POLICY:**

This purchase conforms to the City's purchasing policies and procedures and State statutes regulating procurement.

**EMERGENCY / NON-EMERGENCY:**

Non-emergency.

**DEPARTMENTAL CLEARANCES:**

Legal Department

**FINANCIAL IMPACT:**

X Operating       Revenue       Capital       Not applicable

<b>Fiscal Year: 2014-2015</b>	<b>Project to Date Expenditures (CIP only)</b>	<b>Current Year</b>	<b>Future Years</b>	<b>TOTALS</b>
Line Item Budget		\$3,233,993.11	\$1,621,270.05	\$4,855,263.16
Encumbered / Expended Amount		\$1,714,830.98	0	\$1,714,830.98
This item		\$1,131,117.95	\$1,621,270.05	\$2,752,388.00
BALANCE		\$388,044.18	0	\$388,044.18

Fund(s): Business JobDev, Liab/EB Liab and Visitor Facility

**Comments:** The \$1,131,117.95 financial impact shown above represents five (5) months of premiums that will be encumbered through the end of this fiscal year. The remaining \$1,621,270.05 for the last seven (7) months of premium costs will be requested for future fiscal years during the normal budget process.

**RECOMMENDATION:**

Staff recommends approval of the motion as presented.

**LIST OF SUPPORTING DOCUMENTS:**

Price Sheet  
Service Agreement  
Property Insurance Program – Six Year Comparison