



## AGENDA MEMORANDUM

Action Item for the City Council Meeting April 20, 2021

**DATE:** April 20, 2021  
**TO:** Peter Zanoni, City Manager  
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**Broker of Record Services for Insurance  
Legal Department**

### **CAPTION:**

Motion to authorize a one-year service agreement for Broker of Record Services for Insurance for \$100,000.00 per year, with Acrisure LLC dba Carlisle Insurance of Corpus Christi, Texas, with a right to renew for up to four additional years totaling up to \$500,000.00, effective upon issuance of a notice to proceed, with FY 2021 funding up to \$33,500.00 available through the Liability/Employee Benefits & Workers' Compensation Fund.

### **SUMMARY:**

The current Broker of Record Services contract for Property and Excess Liability and Workers' Compensation Insurance is with Carlisle Insurance Agency. It expired on December 15<sup>th</sup>, 2020 and was extended month-to-month until June 15<sup>th</sup>. The recent property renewal in May will conclude the five-year contract which started in 2015. The broker of record acts as a professional for the City and obtains underwriter bids from its available markets for property and liability insurance and obtains comparison quotes for insurance purchased from TML under our interlocal agreement.

The City's property program is a multi-layered program of more than 19 underwriters (insurance carriers). It covers Flood, Earth Movement, Wind, Named Storm, and Equipment Breakdown (Boiler/Machinery). Some of them are licensed insurance companies and some are out-of-state re-insurers. The City, through the Broker of Record agreement, also purchases multiple flood insurance policies for properties located within Special Flood Hazard Areas in FEMA Flood Zones

A and V through the National Flood Insurance Program (NFIP). NFIP premiums are, by law, paid directly to the broker of record.

The following are the City’s current property coverages. The current policy expires on May 4<sup>th</sup>.

Type	Limit	Deductible
All Risk	\$ 250,000,000	\$50,000 per occurrence
Named Storm	\$ 150,000,000	2% of value. \$100k min./\$4m max
Flood (incl. storm surge)	\$ 50,000,000	\$100,000 per occurrence
Wind / Hail	\$ 250,000,000	\$ 50,000 per occurrence

The City also purchases Excess Liability and Excess Workers’ Compensation through its broker of record agreement. The current policy will expire on October 1<sup>st</sup>. The following is the current Excess Liability and Workers’ Compensation insurance limits and deductibles:

Type	Retention / Deductible	Per Occurrence Limit	Annual Aggregate Limit
Workers’ Compensation	\$ 500,000	Statutory	-
General Liability	\$ 500,000	\$5,000,000	\$ 7,000,000
Employee Benefits Liability	\$ 500,000	\$5,000,000	\$ 7,000,000
Law Enforcement Liability	\$1,000,000	\$5,000,000	\$ 7,000,000
Public Officials Liability	\$ 500,000	\$2,000,000	\$ 7,000,000

**BACKGROUND AND FINDINGS:**

The City’s Risk Management Division manages several insurance policies for the City which include Property, Excess Liability and Excess Workers’ Compensation. There are several other policies which are purchased through the Texas Municipal League Intergovernmental Risk Pool (TMLIRP) that include Auto Physical Damage (high valued vehicles over \$90,000), Mobile Equipment (heavy equipment), Auto Catastrophic, Crime and Employee Dishonesty, Airport Liability, Airport Excess and Excess Gas Utility Department which automatically renew under the Interlocal Agreement which the broker also assists in renewing by surveying other markets to ensure the City is receiving the best pricing per coverage.

Prior to 2015, the City utilized requests for bids to obtain virtually all lines of insurance coverage (with the exception of coverage lines provided by Texas Municipal League (TML) Intergovernmental Risk Pool). In 2015, the City switched to procure property insurance coverage through the Broker of Record on a flat fee basis rather than the traditional contingency percentage basis. The City awarded a Broker of Record contract to Carlisle Insurance Agency effective January 1, 2016 for Property Insurance for one year with four one-year options to renew. On December 19, 2017, the City’s Broker of Record contract was amended to add broker of record services for Excess Liability and Excess Workers’ Compensation brokerage services.

**PROCUREMENT DETAIL:**

Contracts and Procurement conducted a Request for Proposal process to obtain qualified firms for Broker of Record Services for Insurance. The City received two submittals that continued through the evaluation process. The proposals were screened by a five-member evaluation

committee composed of staff from the Legal, Finance and Human Resources for the minimum requirements on a pass/fail basis; and both firms passed to the next level of the evaluation process. The technical proposals were scored based on the published evaluation criteria for maximum of 40 points. The two proposers were interviewed for a maximum of 40 points. The Proposer offering the lowest price received 20 points, the other proposers received a proportional share of the points based on the proration for their price to the lowest price provided. Based on the outcome of the evaluation, it is recommended that the contract be awarded to the highest scoring proposer, Acrisure LLC, dba Carlisle Insurance.

**ALTERNATIVES:**

In lieu of awarding this contract, the alternative is to return to procure each type of insurance through the RFP process. The use of the Broker of Record arrangement has advantages because the Tier I property insurance program is multi-layered and requires extensive knowledge and access to the underwriters, allowing repricing of policies based on modified limits and deductibles when the market spikes out of the City's normal budgeted range.

The City could, with substantial staff research and use of consultants, return to its old process of bidding out insurance. Returning to the markets after a 5-year hiatus could lead to surprises in bids. The City's coastal location requires multiple underwriters, complicating bid analysis. The lack of direct access to underwriter markets could lead to uncontrollable spikes in proposed premiums.

**FISCAL IMPACT:**

Risk Management included this expenditure in its Liability/Employee Benefits & Workers' Compensation Funds 5611. The Risk Management fund is an internal operating fund based on cost allocation to each department. Approval of this item is an annual reoccurring expenditure.

**FUNDING DETAIL:**

Fund:	5611	Liability/Employee Benefits & Workers' Compensation
Organization/Activity:	40520	Insurance Premiums
Mission Element:	005	Process Claims Against City
Project # (CIP Only):		
Account:	530000	Professional Services

**RECOMMENDATION:**

Staff recommends approval of this action item as presented.

**LIST OF SUPPORTING DOCUMENTS:**

Service Agreement  
Evaluation Matrix