



## **AGENDA MEMORANDUM**

Future Item for the City Council Meeting of April 12, 2016

Action Item for the City Council Meeting of April 19, 2016

**DATE:** March 29, 2016

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

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### **Motion awarding purchase of property insurance.**

#### **CAPTION:**

Motion awarding the purchase of property insurance and, authorizing the City Manager to execute all documents necessary to purchase All Risk, Flood, Named Storm, Wind/Hail, Earthquake, and Equipment Breakdown through Carlisle Insurance Agency, Broker of Record for property insurance, in exchange for premium totaling \$2,001,750 from May 5, 2016 to May 5, 2017 of which \$811,669 is required for the remainder of FY 2015-2016.

#### **PURPOSE:**

Obtain property insurance for City-owned property. Chooses Option I + Additional Flood Insurance (additional \$26,000 for \$25,000,000 of coverage - highlighted on attached chart)

#### **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. The City's Property Insurance Program is a multi-layered program comprised of admitted and non-admitted commercial carriers participating. In addition to traditional insured property (buildings and contents), the City's schedule of insured property includes other specialty insurance type risks including; wharves, docks, piers and fine arts. The City also purchases 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 through the National Flood Insurance Program. Total Insured Values are \$696,422,133 (after schedule of value property update completed in January, 2016).

Recently, the City awarded a Broker of Record contract to Carlisle Insurance Agency effective January 1, 2016. The City's Risk Management Division along with its insurance consultant RWL, met with Carlisle Insurance Agency in January, 2016 to establish the parameters of the City's property insurance renewal process which included a timeline, statement of value updates and market assignment.

Favorable global conditions throughout the property market due to relatively low catastrophic events and several years of profitable reinsurance results have made both options possible. The

two excellent property insurance renewal options are summarized in the following table.

	<b>Current</b>	<b>Option I</b>	<b>Option II</b>
<b>Total Insured Values \$</b>	\$627,286,300	\$696,422,133 (Increase in property values of 11% 2016-17)	\$696,422,133
<b>Property Rate (per \$100 value)</b> <i>includes recommended option</i>	\$0.4384	\$0.2871*	\$0.3082
<b>Premium (primary/excess/equip)</b>	\$2,752,388	<b>\$1,975,750</b>	\$2,146,125
<b>Difference from 2014-15</b>	-----	\$776,638 (28% decrease)	\$606,263 (22% decrease)
<b>Limits All Risk (excludes flood/Quake)</b>	\$250,000,000	\$250,000,000	\$250,000,000
<b>Named Storm</b>	\$150,000,000	\$150,000,000	\$150,000,000
<b>Earth Movement</b>		\$ 50,000,000	
<b>Flood</b>	\$ 25,000,000	\$ 25,000,000	\$ 50,000,000
<b>Coverage/Peril</b>	<b>Deductible</b>	<b>Deductible</b>	<b>Deductible</b>
<b>All Risk</b>	\$ 50,000 per occur.	\$ 50,000 per occur.	\$ 50,000 per occur.
<b>Flood (storm surge included)</b>	\$100,000 per occur.	\$100,000 per occur.	\$100,000 per occur. \$500,000 per bldg. \$500,000 contents in FEMA defined flood zones A and V
<b>Named Storm</b>	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 \$250,000 any one occurrence and max. of \$4,000,000 any one occurrence	2% of 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	1% of Total insurable values per unit of insurance, 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 deductible of \$100,000 any one occurrence and a maximum of \$2,500,000 any one occurrence.
<b>Wind/Hail</b>	\$250,000 per occur.	\$50,000 per occur.	\$50,000 per occur.
<b>Earth Movement</b>	\$100,000 per occur.	\$100,000 per occur.	\$50,000 per occur.
<b>Additional Coverage</b>			
<b>Equipment Breakdown</b>	\$19,365	\$15,000 (included in Premium)	\$4,365
<b>Optional Coverage</b>			
<b>Terrorism</b>	-----	-----	\$23,625
<b>Add'l \$25M of Flood</b>		<b>\$26,000</b>	
	Total	\$2,001,750	

Funds have been budgeted by the Legal Department in FY 2015-2016.

**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: 2015-2016</b>	<b>Project to Date Expenditures (CIP only)</b>	<b>Current Year</b>	<b>Future Years</b>	<b>TOTALS</b>
Line Item Budget		2,568,965		
Encumbered / Expended Amount		35,697 as of 2/3/16		
This item		811,669	1,190,081	2,001,750
BALANCE		1,721,599		1,721,599

Fund(s): Insurance Policy Premiums – Property Insurance

**Comments:** Property insurance renewal, Option I represents the property insurance premium which has been budgeted FY 2016-17.

**RECOMMENDATION:**

Staff recommends, based on projected 2016-17 budget constraints, the City maintain its current coverage limits, deductible structure, and policy terms and provisions and select Option I in the amount of \$1,975,750 to maximize savings in the amount of \$776,638. Also, given the value of wastewater-related improvements in areas of potential flooding, staff also recommends binding an additional \$25,000,000 of flood coverage for \$26,000. This will be a total of **\$2,001,750**.

**LIST OF SUPPORTING DOCUMENTS:**

Proposed Property Insurance Renewal Schematic (Table included within memo)