



AGENDA MEMORANDUM

Future Item for the City Council Meeting of April 17, 2018

Action Item for the City Council Meeting of April 24, 2018

DATE: April 6, 2018

TO: Margie Rose, City Manager

FROM: Miles Risley, City Attorney
milesr@cctexas.com
(361)826-3361

Gilbert Sanchez, Risk Manager
gilberts2@cctexas.com
(361)826-3739

Motion authorizing renewal of property insurance.
--

CAPTION:

Motion authorizing the City Manager to execute all documents necessary to renew property insurance, including All Risk, Flood, Named Storm, Wind/Hail, Earthquake, and Equipment Breakdown insurance through Carlisle Insurance Agency, Broker of Record, for upcoming policy year (May 5th, 2018-May 5th 2019) in exchange \$2,110,480.05, of which \$861,538.43 is required for the remainder of FY 2017-2018.

PURPOSE:

Obtain property insurance for City-owned property.

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 (Boiler/Machinery) Breakdown. 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 including; wharves, baseball stadium, docks, piers and fine arts. (The City also purchases through our broker of record 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 but is not included in this amount). Total Insured Values for Policy year 2018-19 are \$ 740,297,966 which is an increase of over 4% over last year (after schedule of value property update completed in February, 2018).

The City awarded a Broker of Record contract to Carlisle Insurance Agency effective January 1, 2016 (which was amended December, 2017 to include excess liability and workers' compensation). Carlisle Insurance competitively placed the City of Corpus Christi property renewal out to market, which resulted much lower than expected rate and premium increase. The City's Risk Management Division and Carlisle Insurance Agency have collaborated to present the below property insurance renewal.

Despite, unfavorable property market conditions responding to high number of catastrophic events last year, coupled with the city filing four large claims against its policy, reinsurance costs

have pushed the primary property insurance premiums, however, the City was able to present the below quote with only an 8% increase. Overall market conditions have seen an average of 15%-25% increases in property rates and premium. Further, the City was able to maintain the same coverage and deductible structure. The rate increased by only 1 cent. The property insurance renewal is summarized in the following table.

	<i>FY16-17</i>	<i>FY17-18</i>	<i>FY18-19 Renewal</i>
<i>Total Insured Values \$</i>	\$696,422,133	\$707,244,943	\$ 740,297,966
<i>Property Rate (per \$100 value) includes recommended option</i>	\$0.2875	\$0.2761	\$ 0.2871
<i>Premium (primary/excess/equip Breakdown)</i>	\$2,001,750	\$1,952,915	\$ 2,110,480.05
<i>Difference from 2015-16</i>	\$ 776,638 (28% decrease from previous year)	\$ 48,835 (2.2% decrease from)	\$ 157,565 (8% increase)
<i>Limits All Risk (excludes flood/Quake)</i>	\$250,000,000	\$250,000,000	\$250,000,000
<i>Named Storm</i>	\$150,000,000	\$150,000,000	\$150,000,000
<i>Flood/ Earth Movement</i>	\$ 25,000,000	\$ 50,000,000	\$ 50,000,000
<i>Coverage/Peril</i>	<i>Deductible</i>	<i>Deductible</i>	<i>Deductible</i>
<i>All Risk</i>	\$ 50,000 per occur.	\$ 50,000 per occur.	\$ 50,000 per occur.
<i>Flood (storm surge included)</i>	\$100,000 per occur.	\$100,000 per occur.	\$100,000 per occur.
<i>Named Storm</i>	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	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
<i>Wind/Hail</i>	\$250,000 per occur	\$50,000 per occur	\$50,000 per occur
<i>Earth Movement</i>	\$100,000 per occur	\$50,000 per occur	\$50,000 per occur

Optional Coverage**Terrorism**

Total \$2,110,480.05

Funds have been budgeted by the following funds: 5611-Liability/EB Liability, 1140-Business JobDev, and the 4710-VisitorFacility Fund in FY 2018-2019.

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

Amount Required: \$861,538.

Fiscal Year: 2017-2018	Current Year	Future Years	TOTALS
Line Item Budget	\$2,774,593.78	\$2,996,561.28	\$5,771,155.06
Encumbered / Expended Amount	\$1,265,413.53	\$ 930,461.04	\$2,195,874.57
This item	\$ 861,538.00	\$1,248,942.05	\$2,110,480.05
BALANCE	\$ 647,642.25	\$ 817,158.19	\$1,464,800.44

Fund(s): 5611-Liability/EB Liability, 1140-Busines JobDev, 4710-VisitorFacility Fund

RECOMMENDATION:

Staff recommend the City renew its property program as cited above with the same limits, sub-limits, policy terms and conditions current coverage limits, deductible structure, and policy terms and provisions. Further, Property renewals for Policy year 2019-20 will be subject to automatic renewal based on the City's broker of record contract with Carlisle insurance agency if the amount does not exceed the original contract amount of \$ \$2,001,750.

LIST OF SUPPORTING DOCUMENTS:

N/A