



AGENDA MEMORANDUM

Future Item for the City Council Meeting of April 23, 2019

Action Item for the City Council Meeting of April 30, 2019

DATE: April 5, 2019

TO: Keith Selman, Interim City Manager

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Renewal of property insurance

CAPTION:

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 upcoming policy year (May 5, 2019 - May 5, 2020) in exchange for annual premium of \$2,194,681.15.

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 that **is not** included in this amount). Total Insured Values for Policy year 2019-20 are \$704,560,606 which is approximately 1% over last year (after schedule of value property updated completed in March 2019).

Global market conditions continue to deteriorate due to abnormally high worldwide catastrophic events. The past two years have hardened the property market increasing rates that have not been seen since Hurricane Katrina and Rita which increased this year's renewal rates by 10% resulting in an overall net increase in premium \$95,349. Staff was projecting a 10% to 25% increase this year. The property insurance market is expected to continue hardened next year and in the foreseeable future, with rates predicted to increase anywhere from 10-25%. The City's Risk Management Division and Carlisle Insurance Agency have collaborated to present the below property insurance renewal. The property insurance renewal over the last three years is summarized in the following table.

	<i>FY16-17</i>	<i>FY17-18</i>	<i>FY18-19</i>	<i>FY19-20</i>
Total Insured/Value \$	\$696,422,133	\$707,244,943	\$703,725,410	\$704,560,606
Property Rate (per \$100 value) <i>Includes recommended option</i>	\$0.2875	\$0.2761	\$0.2851	\$0.3115
Property premium (primary/excess/)	\$2,001,750	\$1,952,915	\$2,095,849	\$2,180,216.15
Premium +/-	\$776,638 (28% decrease from previous yr.)	\$48,835 (2.2% decrease from previous yr.)	\$157,565 (8% increase)	\$85,367 (4% increase)
Limits/All Risk	\$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
Flood/ Earth Movement	\$25,000,000	\$50,000,000	\$50,000,000	\$50,000,000
<i>Coverage/Peril</i>	<i>Deductible</i>	<i>Deductible</i>	<i>Deductible</i>	<i>Deductible</i>
All Risk	\$50,000 per occur.	\$50,000 per occur.	\$50,000 per occur.	\$50,000 per occur.
Flood (storm surge incl.)	\$100,000 per occur.	\$100,000 per occur.	\$100,000 per occur.	\$100,000 per occur.
Named Storm	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% 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% 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% 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.
Wind/Hail	\$250,000 per occur	\$50,000 per occur	\$50,000 per occur	\$50,000 per occur
Earth Movement	\$100,000 per occur	\$50,000 per occur	\$50,000 per occur	\$50,000 per occur
Optional Coverage				
Equipment Breakdown	-----	-----	\$14,631	\$14,465
Total:				\$2,110,480
				\$2,194,681.15

Funds have been budgeted by the Legal Department 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

Fiscal Year: 2019-2020	Current Year	Future Years	TOTALS
Line Item Budget (Operating Fund 1140)	\$ 83,006.00	N/A	\$ 83,006.00
Line Item Budget (Operating Fund 5611)	\$ 2,618,061.48	N/A	\$ 2,618,061.48
Line Item Budget (Operating Fund 4710)	\$ 295,493.00	N/A	\$ 295,493.00
Encumbered/Expended	(\$65,775.78)	N/A	(\$65,775.78)
This item	(\$895,910.94)	(\$1,298,770.21)	(\$ 2,194,681.15)
BALANCE	\$ 2,034,837.76	\$ 1,298,770.21	\$ 736,103.55

Fund(s): Fund 1140 Org.13826-Baseball Stadium; Fund 5611-Liability/EB Liability Org. 40520-Insurance Policy Premiums, Fund 4710 Org. 13625-Arena Operations; Fund 4710 Org. 13600-Convention Center/Auditorium Operations 1140-Busines JobDev, 4710-VisitorFacility Fund

Comments: Property insurance renewal.

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.**

LIST OF SUPPORTING DOCUMENTS: Resolution