

**CITY OF SAN ANTONIO
HUMAN RESOURCES DEPARTMENT
CITY COUNCIL AGENDA MEMORANDUM**

CONSENT AGENDA
ITEM NO. 4a

TO: Mayor and City Council

FROM: Sharon De La Garza, Director, Human Resources Department

SUBJECT: Request to Purchase Commercial Property Insurance

DATE: December 9, 2004

SUMMARY AND RECOMMENDATION

This Ordinance authorizes the Interim City Manager or his designee to purchase a layered insurance program for Commercial Property Insurance, including Boiler and Machinery Coverage, for City-owned and leased buildings, contents, and equipment with Allianz Insurance Company and RSUI Indemnity Company through McGriff, Seibels & Williams of Texas, Inc., the City's Broker of Record. The policies are for a 14-month period beginning December 31, 2004 and ending on February 28, 2006 at a total combined cost of \$1,091,271.

Staff recommends approval of this Ordinance.

BACKGROUND INFORMATION

A Request for Proposals was published in the local newspaper on October 24, 2004. The City's Broker of Record also began marketing activities for this renewal coverage in October 2004.

The City's Broker of Record approached seven domestic markets and multiple Lloyds Syndicates. Three proposals were received from the various markets approached. The bid specifications included an option to raise the prior \$300,000,000 loss limit to \$500,000,000. Allianz Insurance Company, the current carrier, has offered to raise their previous loss limit of \$200,000,000 to \$300,000,000. RSUI Indemnity Company, the current secondary carrier has likewise offered to raise their previous loss limit from \$100,000,000 to \$200,000,000 and when combined would give the City the desired pre-loss limit of \$500,000,000 per occurrence. The ability to acquire higher coverage is due to a softening of the commercial insurance market and a renewed interest by insurance companies to underwrite coverage for the City based on a favorable loss history. The recommended quote is Allianz and RSUI Indemnity. Their premium rate of \$00.0725 times \$1,000 of insurable values is extremely favorable to the City, as we are able to purchase \$200,000,000 more coverage, reduce the current \$500,000 deductible to a \$250,000 deductible and still incur a sizeable reduction in insurance premium cost. The reduced deductible will afford the City a greater opportunity of recovery in the event of an insured loss occurrence. Loss recoveries under the proposed layered program will

continue to be at replacement cost for both buildings and contents up to the agreed values stated within the City's insurance schedule.

The entire \$500,000,000 per-event loss limit includes property coverage for acts of terrorism. While no one anticipates a terrorism loss, it is reassuring to the City as a whole to know that if the unthinkable would occur, insurance would be afforded.

POLICY ANALYSIS

The City Council has previously authorized the purchase of Commercial Property Insurance to cover physical damage and business interruption to the City's real and personal property. For the policy period of December 31, 2003 to December 31, 2004, the City authorized a policy premium of \$1,373,413.00 to be paid under Ordinance No. 98597, passed and approved December 18, 2003.

As stated under the "Background" caption, we are extremely fortunate to have received such favorable proposals from Allianz and RSUI Indemnity Company. Including the reduced deductible and the higher combined limit afforded by the two carriers, the City is acquiring \$200,250,000 more coverage for a substantially lower premium rate.

Significant features of insurance coverage and some sub-limits or extensions include:

- Certified and non-certified acts of terrorism are included in the full \$500,000,000 limit;
- \$100,000,000 limit on boiler and machinery insured perils;
- \$5,000,000 limit for debris removal;
- Coverage extension to miscellaneous unnamed locations;
- \$25,000,000 for flood and water damage for locations not zoned for "100 year floods";
- \$5,000,000 per occurrence for properties in "100 year flood zones";
- \$25,000,000 per occurrence limit for the earthquake peril;
- \$40,000,000 limit on EDP Equipment and Media, an increase from \$20,000,000;
- \$10,000,000 limit on business income and extra expense for the Convention Center and the Alamodome;
- \$10,000,000 limit for scheduled fine arts;
- \$5,000,000 limit for inadvertent errors and omissions;
- \$3,500,000 limit for mobile ("Contractors") equipment; and
- \$5,000,000 limit for Service Interruption – property damage and time element

McGriff, Seibels & Williams of Texas, Inc., the City's Broker of Record, recommends placing the City's property coverage with Allianz Insurance Company and RSUI Indemnity Company (a layered program of \$300,000,000 and \$200,000,000 respectively), and purchase the reduced deductible from \$500,000 per occurrence to \$250,000 for the above-stated coverages at an annual premium of \$935,375.00.

In keeping with the City's past practice of purchasing commercial property insurance to protect the City's assets in the event of large physical damage or business interruption losses, the Risk Management Division concurs with McGriff, Seibels, & Williams of Texas' recommendation. However, the Risk Management Division proposes that we purchase a 14-month policy, which produces a premium of \$1,091,271 and changes the expiration date from December 31, 2005 to February 28, 2006.

FISCAL IMPACT

Sufficient funds are already appropriated in the Liability Self-Insurance Fund 75 to pay the premium of \$1,091,271 for renewal of our property insurance and extension from a 12-month policy to a 14-month policy. This Ordinance will authorize the encumbrance of \$1,091,271 in the FY 04-05 budget.

COORDINATION

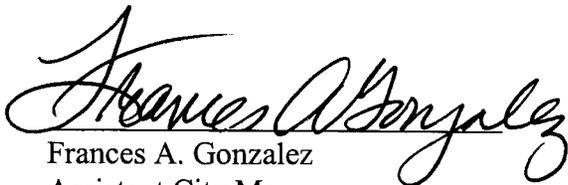
The Department of Human Resources has coordinated this item with the City Attorney's Office and the Finance Department.

SUPPLEMENTAL COMMENTS

The required Ethics Disclosure Statement is attached.



Sharon De La Garza
Human Resources Director



Frances A. Gonzalez
Assistant City Manager



J. Rolando Bono
Interim City Manager

Attachment

City of San Antonio
Discretionary Contracts Disclosure

ATTACHMENT
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City of San Antonio, Texas, Texas, City of San Antonio, Texas, City of San Antonio, Texas

Disclosure of Parties, Owners, and Closely Related Persons

For the purpose of assisting the city in the enforcement of provisions contained in the City Charter and the code of ethics, an individual or business entity seeking a discretionary contract from the city is required to disclose in connection with a proposal for a discretionary contract:

(1) the identity of any individual who would be a party to the discretionary contract;

N/A

(2) the identity of any business entity that would be a party to the discretionary contract and the name of:

(A) any individual or business entity that would be a subcontractor on the discretionary contract;

N/A

(B) any individual or business entity that is known to be a partner, or a parent or subsidiary business entity, of any individual or business entity who would be a party to the discretionary contract;

N/A

(3) the identity of any lobbyist or public relations firm employed for purposes relating to the discretionary contract being sought by any individual or business entity who would be a party to the discretionary contract.

N/A

Political Contributions

Any individual or business entity seeking a discretionary contract from the city must disclose in connection with a proposal for a discretionary contract all political contributions totaling one hundred dollars (\$100) or more within the past twenty-four (24) months made directly or indirectly to any member of City Council, or to any political action committee that contributes to City Council elections, by any individual or business entity whose identity must be disclosed under (1), (2) or (3) above. Indirect contributions by an entity include, but are not limited to, contributions made through the officers, owners, or registered lobbyists of the entity.

N/A

City of San Antonio
Discretionary Contracts Disclosure

For use of this form, see City of San Antonio Ethics Code, Part D, Section 102

Disclosures in Proposals

Any individual or business entity seeking a discretionary contract with the city shall disclose any known facts which, reasonably understood, raise a question as to whether any city official would violate Section 1 of Part B by participating in official action relating to the discretionary contract.

N/A	
Signature: <i>Warren Butler, Executive Vice President</i>	Date: <i>12/2/04</i>

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**City of San Antonio
Discretionary Contracts Disclosure**
For use of this form, see City of San Antonio Ethics Code, Part D, Section 1&2

Disclosure of Parties, Owners, and Closely Related Persons

For the purpose of assisting the city in the enforcement of provisions contained in the City Charter and the code of ethics, an individual or business entity seeking a discretionary contract from the city is required to disclose in connection with a proposal for a discretionary contract:

(1) the identity of any individual who would be a party to the discretionary contract;

N/A

(2) the identity of any business entity that would be a party to the discretionary contract and the name of:

(A) any individual or business entity that would be a subcontractor on the discretionary contract;

N/A

(B) any individual or business entity that is known to be a partner, or a parent or subsidiary business entity, of any individual or business entity who would be a party to the discretionary contract;

N/A

(3) the identity of any lobbyist or public relations firm employed for purposes relating to the discretionary contract being sought by any individual or business entity who would be a party to the discretionary contract.

N/A

Political Contributions

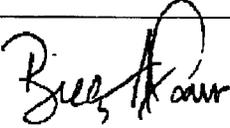
Any individual or business entity seeking a discretionary contract from the city must disclose in connection with a proposal for a discretionary contract all political contributions totaling one hundred dollars (\$100) or more within the past twenty-four (24) months made directly or indirectly to any member of City Council, or to any political action committee that contributes to City Council elections, by any individual or business entity whose identity must be disclosed under (1), (2) or (3) above. Indirect contributions by an entity include, but are not limited to, contributions made through the officers, owners, or registered lobbyists of the entity.

N/A

City of San Antonio
Discretionary Contracts Disclosure
For use of this form, see City of San Antonio Ethics Code, Part D, Section 1 & 2

Disclosures in Proposals

Any individual or business entity seeking a discretionary contract with the city shall disclose any known facts which, reasonably understood², raise a question as to whether any city official would violate Section 1 of Part B by participating in official action relating to the discretionary contract.

N/A	
Signature: 	Date: 12-6-04