

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

CONSENT AGENDA
ITEM NO. 21

TO: Sheryl Sculley, City Manager

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

SUBJECT: Request to Purchase Commercial Property Insurance

DATE: February 16, 2006

SUMMARY AND RECOMMENDATION

An ordinance authorizing the purchase of Commercial Property Insurance, including Boiler and Machinery Coverage, for City-owned and leased buildings, contents, and equipment with Great American Insurance Company, through McGriff, Seibels & Williams of Texas, Inc., the City's broker of record, for a three (3) year period beginning February 28, 2006 with a first year premium at a cost of \$1,264,257, and a guaranteed premium rate of \$0.0666 (rounded) per \$100 of total insured value of property for the second and third years.

Staff recommends approval of this Ordinance.

BACKGROUND INFORMATION

The City advertised a Request for Insurance Quotes in the San Antonio Express News on December 16, 2005 and December 23, 2005, which solicited for Commercial Property Insurance, including Boiler and Machinery coverage. A notice of the solicitation was also placed on the COSA website. The City's Broker of Record also began marketing activities for this renewal coverage in November, 2005.

The City's Broker of Record approached six primary and two excess insurers to secure quotations for coverage at limits adequate to protect the City's current insurable values estimated at \$1,898,514,170. A total of six quotations were received. The bid specifications provided for at least a \$500,000,000 loss limit, with separate underlying limits for specific coverages needed by the City; most notably, Business Income and Extra Expense for the Convention Center and the Alamodome, Electronic Data Processing (EDP) Equipment and Media, Mobile Equipment, Automobile Catastrophe Physical Damage, Fine Arts, Flood and Earthquake. Of the six quotations received, one quotation from TML (Texas Municipal League Intergovernmental Pool) was rejected because they only offered a \$5,000,000 loss limit.

The premium quote from Great American Insurance Company and its participating excess insurers provided the ability to insure the City's total insured values (estimated at \$1.898 billion) with a \$250,000 deductible per-occurrence and includes coverage for acts of terrorism.

The program will be structured by Great American Insurance Company and its excess insurers to provide full coverage for the total insured value of each City owned building except for the Convention Center and the Alamodome. For these two buildings, Great American will provide layered coverage. Layered coverage allows insurance carriers to share the risk of possible loss.

The layered will be structured as follows: Great American will provide the first layer of coverage totaling \$200,000,000 (\$100,000,000 for each building). The second layer is a total combined amount of \$150,000,000 and will be provided by Columbia Casualty at \$100,000,000 and Arch Specialty at \$50,000,000. The third layer provides an additional \$156,000,000 underwritten by Landmark American. The total loss limits for all layers equals \$506,000,000 for the Convention Center and the Alamodome. Loss recoveries under the proposed program will continue to be paid on a replacement cost basis for both buildings and contents up to agreed values stated within the City's insurance schedule.

Great American and its excess insurers have agreed to guarantee a rate of \$0.0666 (rounded) per \$100 of insured value contingent upon the City's low probability of catastrophic loss and our existing low loss ratio.

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

- Acts of terrorism are included up to the \$1,898,514,170 loss limit;
- \$100,000,000 limit for boiler and machinery direct physical damage;
- \$5,000,000 limit for debris removal;
- Coverage extension to newly acquired property for 90 days up to \$10,000,000;
- \$25,000,000 for flood and water damage for locations not zoned for "100 year floods";
- \$5,000,000 for flood and water damage for properties in "100 year flood zones";
- \$25,000,000 per occurrence limit for earthquake;
- \$40,000,000 limit on EDP Equipment and Media;
- \$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 on the part of the City;
- \$3,500,000 limit for mobile ("Contractors") equipment; and,
- \$1,000,000 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 Great American Insurance Company for the next three years. Based upon current estimated total insured values of \$1,898,514,170, the annual premium for the first year of this coverage is \$1,264,257.

POLICY ANALYSIS

This action is 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. This policy benefits the City by locking-in a lower three year guaranteed rate and includes the total insured values as compared to last year's 14-month

policy rate of \$0.0725 per \$100 of total insured value and a considerably lower loss limit of \$500,000,000.

FISCAL IMPACT

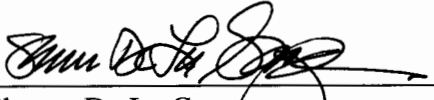
Sufficient funds have been budgeted in the Liability Self-Insurance Fund for the first year policy premium. The second and third year premiums will be contingent upon subsequent funding as approved by City Council.

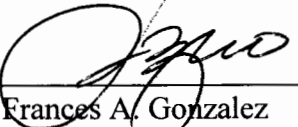
COORDINATION

This item has been coordinated with Finance, Office of Management and Budget, and the City Attorney's Office.

SUPPLEMENTAL COMMENTS

The required Discretionary Contracts Disclosure Forms are attached.


Sharon De La Garza
Human Resources Director


Frances A. Gonzalez
Assistant City Manager

Approved for Council Consideration:


Sheryl Sculley
City Manager

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;

Great American Insurance Company

- (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.


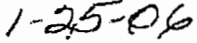
N/A

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.

Signature: 	Date: 

JAN 24. 2007 3:12PM

CNA WHOLESALE PROPERTY

NO. 098 P. 2

**City of San Antonio
Discretionary Contracts Disclosure**

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

Disclosure of Parties, Owners, and Closely Related Persons

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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;

Continental Casualty Company

- (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

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No known contributions.

JAN. 24. 2007 3:13PM

CNA WHOLESALE PROPERTY


NO. 098 P. 3

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: 1/24/06

**City of San Antonio
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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;

Landmark American Insurance

(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

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N/A

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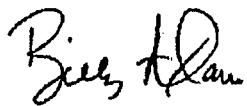
N/A

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N/A	
Signature: 	Date: 1-27-2006

City of San Antonio

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(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;

Arch Specialty Insurance Company

(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

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N/A

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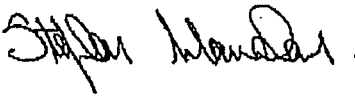
Jan-27-06 06:04pm From:

T-871 P.003/003 F-015

City of San Antonio
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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: January 27, 2006