



City of League City, TX

300 West Walker
League City TX 77573

Text File

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Title

Consider and take action on a resolution authorizing the purchase of windstorm and hail property insurance from McGriff, Siebels & Williams of Texas, Inc. in an amount not to exceed \$ 550,269.30 (Director of Human Resources & Civil Service)

..Background:

Approval of this item will authorize the City Manager to purchase windstorm and hail insurance for the City's property. The City's current policy was purchased through McGriff, Siebels & Williams (McGriff) for \$518,963 and expires April 6, 2019.

The current policy provides the following levels of coverage:

- \$60,000,000 commercial property coverage
- \$199,817,882 scheduled property
- 1% named storm deductible, capped at \$100,000, with a \$25,000 deductible for all other windstorm damages
- storm surge coverage up to \$10,000,000

In compliance with State bidding law, the City issued a Request for Proposal (RFP) through the City's Consultant, RWL Group. The property schedule was again updated to reflect all city property at a value of

\$200,390,657 (approximately .287% more than the current schedule). The RFP requested coverage of the full value of all City property and options for a \$60 million limit for a policy beginning April 6, 2019. Four agents inquired about the RFP; however, only one response was received and that was from the incumbent broker, McGriff.

Following the close of the RFP, City staff met with the broker on February 18, 2019 to review its proposal. Primary areas of negotiation were deductibles and pricing. McGriff was asked to provide various requested revisions to the two options offered, \$60,000,000 and \$70,000,000 per occurrence limit options.

Best and final offers made by McGriff included a reduction in its pricing by a little over two percent from its initial offering, resulting in an increase of 6.03% over last year. Staff is recommending approval of this offer, as recommended by RWL Group. Their final offer is \$550,269.30 with the following levels of coverage:

- \$60,000,000 commercial property coverage
- \$200,390,657 scheduled property
- 1% named storm deductible, capped at \$100,000, with a \$25,000 deductible for all other windstorm damages

- storm surge coverage up to \$10,000,000

McGriff also increased coverage limits for newly acquired or constructed buildings from \$1,000,000 for 90 days to \$5,000,000 for 180 days under the latest offering.

The 2019 increase in premium is \$31,306.30. Given the state of the market following Hurricanes Harvey, Irma and Maria in 2017, the catastrophes of 2018, and League City’s own losses from Hurricane Harvey, an increase up to approximately 10% was expected.

McGriff presented two other proposed options:

1. \$60,000,000 limit of coverage with an almost two-month extension (moving the expiration to June 1, 2020) at a premium of \$569,339.85. However, extending the term by two months is not favorable since hurricane season begins June 1st each year; obtaining favorable pricing for a June 1 renewal would be more difficult.
2. \$70,000,000 limit of coverage for one year at a premium of \$569,439.15. Given the City’s loss history from Hurricane Harvey, it is felt that the current \$60,000,000 per occurrence limit is still the correct coverage.

RWL Group has conducted the City of League City’s windstorm RFP since the April 6, 2015. The following table outlines the historical pricing and cost per \$100 of value since 2015:

Year	Premium	Loss Limit	Deductible	Underlying Values	Cost / \$100 of Value
2015 - 2016	\$576,218	\$50,000,000	1%/Min. \$100K/Max \$500K	\$125,974,108	\$0.45741
2016 - 2017	\$534,538	\$50,000,000	1%/Min. \$25K/Max \$100K	\$197,550,782	\$0.27058
2017 - 2018	\$441,001	\$60,000,000	1%/Min. \$25K/Max \$100K	\$199,800,782	\$0.22072
2018 - 2019	\$518,963	\$60,000,000	1%/Min. \$25K/Max \$100K	\$199,817,882	\$0.25972
Proposed					
2019 - 2020	\$550,269.30	\$60,000,000	1%/Min. \$25K/Max \$100K	\$200,390,657	\$0.2746

As noted above, if the recommended final offer for the 2019-2020 windstorm insurance is accepted, the cost per \$100 value would be \$.2746 - less than the cost in 2015.

CONTRACT ORIGINATION: N/A

Attachments:

1. Data Sheet
2. Proposed Resolution
3. 2019 Windstorm RWL Best and Final
4. League City 2019 Wind RFP Analysis

FUNDING

{ X } Funds are available in FY 2019 in the amount of \$550,270 from General Fund (\$335,665) Insurance Account 1650000-53330, Utility Fund (\$148,573) Insurance Account 10201650-53330, and 4B M&O (\$66,032) Insurance Account 2310440-53330.

{ } Requires Budget Amendment to transfer from Account # _____ to Account # _____

{ } NOT APPLICABLE

STRATEGIC PLANNING

{ } Addresses Strategic Planning Critical Success Factor # _____ and Initiative # _____

{ X } NOT APPLICABLE