



City of San Antonio

Agenda Memorandum

File Number:14-695

Agenda Item Number: 15.

Agenda Date: 5/1/2014

In Control: City Council A Session

DEPARTMENT: Finance

DEPARTMENT HEAD: Troy Elliott, CPA

COUNCIL DISTRICTS IMPACTED: City Wide

SUBJECT:

Purchase of Aircraft Hull and Liability Insurance

SUMMARY:

This ordinance authorizes the City Manager or her designee to pay premiums for the City of San Antonio's Aircraft Hull and Liability insurance in the amount of \$133,093. The coverage would be placed with Commerce and Industry Insurance Company, a subsidiary of American International Group (AIG), for a term beginning May 1, 2014 through May 1, 2015. The proposed coverage term is for one year. This policy provides Aircraft Hull and Liability Insurance coverage, which the City maintains to cover potential liability for loss arising out of the operation of the San Antonio Police Department (SAPD) Helicopter Unit.

BACKGROUND INFORMATION:

The Aircraft Hull and Liability policy provides coverage for physical damage to any of the helicopters owned by the City for the use of the San Antonio Police Department. The liability portion of the policy protects the City (officers, officials, and employees) in the event of a claim due to bodily injury or damage to the property of others arising out of the operation of the aircraft. The limit of liability for any single occurrence is set at \$10,000,000.00. A special endorsement provides protection for cargo, spare parts, and the FLIR (Forward-Looking Infra-Red) detection system mounted in the aircraft. Protection for risks arising from riots, civil commotion, and terrorism is included. The current coverage is provided by ACE USA Insurance Company, which has provided this protection since March 2003.

In February, 2014, the Finance Department, Risk Management Division, in cooperation with the City's Broker of Record, Marsh USA, began the process of gathering the information necessary to support an effective and timely request for insurance for these important City assets.

In March, 2014, Marsh published a solicitation for quotes and directly approached eight carriers deemed likely to offer insurance coverage required by the City. Responses were submitted to Marsh in April, 2014. Marsh provided analysis and recommendations to Risk Management for consideration. Eight companies responded to the solicitation. Five of these declined to submit bids. Three companies, ACE-USA (the incumbent), Commerce and Industry Insurance Company and Phoenix Aviation Managers made offers to provide the coverage. The offer by Commerce and Industry Insurance Company was determined to offer the best combination of terms and conditions for the City.

The proposed coverage by Commerce and Industry Insurance Company would have an aggregate limit of \$10,000,000.00 and an In Motion deductible amount equal to 2% of the value of the aircraft. A summary of insurance coverage is provided in the attached marketing and comparison documents.

ISSUE:

Approval of payment to Commerce and Industry Insurance Company for the recommended premium would continue the Council's policy of providing insurance protection for the City's helicopter fleet. Protection from losses arising out of the use and operation of the City's aircraft would continue to be afforded through May 1, 2015, in conformance with Council's previous decisions.

The Small Business Economic Development Agency Ordinance requirements were waived due to the lack of qualified SMWBE's available to provide the goods and services.

The Veteran-Owned Small Business Preference Program does not apply to non-professional service contracts, so no preference was applied to this contract.

The recommended award is an exception to the Local Preference Program.

ALTERNATIVES:

The alternative of taking no action would result in cancellation of the insurance coverage for the City's fleet of aircraft. Physical damage to the City's helicopters, and liabilities arising from their operation, would be entirely at the City's expense.

FISCAL IMPACT:

This ordinance authorizes the City Manager or her designee to pay premiums for San Antonio Aircraft Hull and Liability insurance payable to Commerce and Industry Insurance Company. Funds in the amount of \$133,093.00 are available in the FY 2014 Liability Fund Budget.

RECOMMENDATION:

Staff recommends approval of this professional services agreement for Aircraft Hull and Liability coverage for the period May 1, 2014 to May 1, 2015 with Commerce and Industry Insurance Company. Contracts Disclosure Form is required.