



## ALVIN INDEPENDENT SCHOOL DISTRICT

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*Donnie Marek*

*Executive Director of Risk Management*

May 25, 2020

TO: Daniel Combs  
Mickie Dietrich

FROM: Donnie Marek

SUBJ: Request for Award of **#2006 PROPERTY INSURANCE RFP**

A Property Insurance Request for proposal was extended to vendors by mail, fax or email. Additional information on the proposal was extended through the legal notice in our county newspaper and on the district Purchasing website.

Only the current provider, Arthur J. Gallagher Insurance, submitted a proposal.

The annual cost for the Property Insurance last year was \$1,673,149.11 and the submission for the 2020-2021 year is \$2,143,864. The increase in premium is \$470,714.89. The district is seeing a \$0.04 (23%) rate increase due to increased property values, a volatile re-insurance market, global disasters, predictions of a hostile hurricane season, and Covid-19 implications and uncertainties. Lloyd's of London, a well-known re-insurer stated in a CNBC on-line article, “it expects coronavirus-related claims to cost it \$3 billion–\$4.3 billion, making the pandemic its biggest payout since the 9/11 attacks. The losses could rise further if the current lockdown continues into another quarter. Its payout on coronavirus claims would also equal the combined impact of hurricanes Harvey, Irma and Maria in 2017 – the costliest year for storms on record.”

Wes Robinson, National Property President with Risk Replacement Services, Inc. is quoted, saying, “It has been discussed for many years now about the macro-economic dynamics that should impact the day to day transactions we deal with, but this is the first time in a long time it is really hitting home. The trapped capital from the 2017/2018 losses are significantly impacting the retro and ILS markets, creating difficulty for direct carriers to deploy their capital since they have less protection, or what protection they have costs them more. This same concept just became amplified with the uncertainty of how much these carriers will be on the hook for

COVID-19. Most carriers are booking this as at least a moderate CAT event and we are two weeks away from hurricane season. All carriers are reporting losses in Q1, and the investment income they rely upon to offset their underwriting losses has backfired since they all have negative investment returns due to the abrupt downturn in the market. What has made that last point worse for some is that they have been invested a little more aggressively lately since the interest rates have been so low.”

The policy limits will remain the same for the 2020-2021 policy year.

We are requesting award of the 2006 Property Insurance Proposal to Arthur J. Gallagher Insurance as our provider for the amount of \$2,143,864. Attached is a brief analysis comparison of the last two year’s expenditures and the anticipated expenditures for this year.