



**MCGRIFF, SEIBELS & WILLIAMS OF TEXAS, INC.**

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October 1, 2017

Mr. Scott Payne  
Risk Management Department  
City of Denton  
601 E. Hickory  
Denton, TX 76205

Re: Property Coverage Renewal

Scott,

Thank you for the opportunity to assist the City of Denton in placing your Property and Boiler & Machinery Coverage. The property market in Texas is a difficult market. Even before the hurricanes hit Houston and Florida our market in Texas was seeing changes. Wind and Hail have become the driving forces behind property insurance placement in Texas. Due to the hundreds of millions of dollars of property losses due to hail in Texas, carriers have left this market or severely decreased their capacity to insure property in Texas.

Public entities are difficult for carriers to insure due to the large property limits placed in a small geographical area. This has historically limited the number of property carriers willing to write public entity property. As that list has grown shorter due to losses, the remaining carriers have had to make some changes to their limit and deductible structures to maintain feasibility in the market.

The City's current carrier, which has a capacity to write the City's full limits, made changes to their deductible structure for the Wind/Hail exposure by increasing the deductible to 2% per location with a minimum location deductible of \$50,000 and a maximum occurrence deductible of \$2,000,000. There is one other carrier that has the capacity to write the City's full limits and they have also increased their wind/hail deductible. Lexington Insurance Company has increased their deductible state wide to 5% per location with a \$100,000 minimum per location deductible and no maximum occurrence deductible. This would make the City's maximum deductible \$23,945,403 in a total catastrophic event in lieu of \$2,000,000 under the current program.

The other coverage options available to the City would be a layered, shared program. This requires numerous carriers with smaller capacities to share limits to provide the amount of insurance the City needs. This type of program increases the property rate due to the number of carriers that are needed to reach the total insured values needed. The City's current property rate per \$100 of values is \$0.0646. A layered program would increase this rate to a minimum of \$0.10 per \$100 of values. These programs also include the higher per location Wind/Hail deductibles the single carriers include.

**We recommend the City renew its Property Insurance with Affiliated FM for a total premium of \$319,323. This includes Property coverage, Terrorism Coverage and the carriers Engineering Fee.**

Thank you for the opportunity to work with the City of Denton. Please let us know if you have any questions regarding these renewals.

Sincerely,

A handwritten signature in dark ink, appearing to read "Robert Waggoner". The signature is fluid and cursive, with the first name "Robert" and last name "Waggoner" clearly distinguishable.

Robert Waggoner, ARM  
Senior Vice President