

AGENDA



Recommendation for Council Action

AUSTIN CITY COUNCIL
Regular Meeting: April 12, 2018

Item Number: **021**

Purchasing Office

Authorize negotiation and execution of a multi-term contract with John L. Wortham & Son, L.P. D/B/A Wortham Insurance & Risk Management, to provide cyber liability broker services for cyber liability insurance coverage for Austin Energy, for up to five years for a total contract amount not to exceed \$2,425,000. (Note: This procurement was reviewed for subcontracting opportunities in accordance with City Code Chapter 2-9C Minority Owned and Women Owned Business Enterprise Procurement Program. For the services required for this procurement, there were no subcontracting opportunities; therefore, no subcontracting goals were established).

Lead Department	Purchasing Office.
Fiscal Note	Funding in the amount of \$359,363 is available in the Fiscal Year 2017-2018 Operating Budget of Austin Energy. Funding for the remaining contract term is contingent upon available funding in future budgets.
Purchasing Language	Professional Service.
For More Information	Inquiries should be directed to the City Manager’s Agenda Office, at 512-974-2991 or AgendaOffice@austintexas.gov or to John Hilbun, at 512-974-1054 or john.hilbun@austintexas.gov .
Council Committee, Boards and Commission Action	March 19, 2018 - Recommended unanimously by the Electric Utility Commission on a 7-0 vote, with Commissioners Reel and Wray absent and two vacancies.

Client Department(s)	Austin Energy; Human Resources Department.
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Additional Backup Information:

The contract will provide a broker to manage, negotiate, and purchase cyber liability coverage for Austin Energy with a \$20,000,000 annual limit of liability. The coverage provided includes information security and privacy liability, privacy breach response services, regulatory defense and penalties, media content liability, payment card industry fines expenses and costs, cyber extortion payments and expenses, data recovery costs, business interruption loss, and dependent business loss from a dependent system failure. Standard exclusions apply, such as: patent/trademark, pollution, property damage and exposures covered by other types of insurance.

Austin Energy databases include electronic records containing personally identifiable information for more than 500,000 current and former customers. The utility is also subject to fines for regulatory non-compliance with North American Electric Reliability Corporation and Electric Reliability Council of Texas requirements, cyber extortion exposures (which is currently a leading utility claim), and breaches of industrial control systems. Such risks as they relate to cyber exposure are covered by cyber liability insurance.

John L. Wortham & Son, L.P. D/B/A Wortham Insurance & Risk Management is the most qualified to provide these services based on experience and conceptual strategy for coverage and assessments. This is a new contract for a type of insurance coverage not currently maintained by Austin Energy.

If the City is unable to secure the contract for these services, Austin Energy will remain vulnerable to large cyber liability claims and potential business interruption income losses and associated recovery expenses.

Contract Detail:

Contract Term	Length	Contract of Term Authorization
Initial Term	1 yr.	\$ 359,363
Optional Extension 1	1 yr.	\$ 413,267
Optional Extension 2	1 yr.	\$ 475,258
Optional Extension 3	1 yr.	\$ 546,546
Optional Extension 4	1 yr.	\$ 630,566
TOTAL	5 yrs.	\$2,425,000

Note:Contract Authorization amounts are based on the City’s estimated annual usage.

