



MEMORANDUM

To: James Scholl, City Manager
From: Lisa Takach, Risk Manager
Date: August 12, 2016
Subject: Renewal of Property and Casualty Insurance Program for PY 2016-2017

A handwritten signature in blue ink, appearing to be "J. Scholl", is written over the "From" and "Date" lines of the memorandum.

ACTION STATEMENT:

Request the City Commission award placement of the City's property and casualty insurance program for policy year 2016/2017 proposed by The Public Risk Management of Florida (PRM) as submitted by Arthur J. Gallagher & Company in the amount of \$903,871.00 as well as recognize Arthur J. Gallagher & Company as the City's agent/broker for the City's property and casualty insurance program for policy year 2016/2017.

Further, request the City Commission award placement of marine liability coverages proposed by Great American at a cost of \$68,616.00, and storage tank coverage proposed by Commerce & Industry at a cost of \$4,381.00, AD&D coverage from National Union Fire Insurance Company of Pittsburgh, P.A. at a cost of \$5,568.00, and blanket flood coverage proposed by Lloyd's of London at a cost of \$150,000.00, as submitted by Arthur J. Gallagher & Company.

BACKGROUND:

In Resolution Nos. 15-267 and 15-283, the City Commission accepted the proposals of Public Risk Management of Florida (PRM) for Property and Casualty insurance as submitted by Arthur J. Gallagher & Company for the 2015-2016 policy year, and further recognized Arthur J. Gallagher & Company as the City's Broker of record for this purpose. The proposal came with a two-year fixed rate guarantee, wherein the rates for the property and casualty coverage remained the same, and the only factors causing a change in premiums for the 2016-17 policy year are the City's exposures, such as increased payroll and additional property values.

The City is required to obtain updated appraisals on all of its property, with the last appraisal being conducted in 2010. The updated appraisals were completed through AssetWorks this summer. The first of two noteworthy points being the City was reimbursed for the \$10,000 property appraisal costs by

PRM with the assistance of Arthur J. Gallagher. The reimbursement was credited to the City's premiums in the present proposal for property and casualty insurance. Secondly, that despite the increase in total insured value (TIV) resulting from the newly constructed City Hall, Transit and Sexton House facilities being added to the property schedule, the net rate of the property coverage premium decreased from the prior year.

City staff took a hard look at the Trumbo Point facility, which accounts for nearly \$40,000,000 of the City's total property TIV. It was determined that the greatest exposure and peril affecting the facility would be equipment breakdown, whereas the concrete structures present little risk of loss as compared to the tremendous increase in premium to carry the entire facility under the standard property coverage. As such, the proposed Boiler and Machinery quote offers coverage on the full TIV of this facility thereby insuring under this policy all the equipment at Trumbo Point. An affordable solution was created as the Boiler and Machinery coverage carries with it a much lower rate than standard property coverage and further carries with it coverage for the greatest perils that would affect the operations of this facility, including business interruption.

Similar to the standard property coverage, the casualty lines of coverage, including General Liability, Auto Liability, Public Officials Liability, Law Enforcement Liability, and Workers' Compensation, all are offered at the fixed rate. Increase in payroll is the only exposure present to cause a slight increase in premium over last policy year. With respect to the workers' compensation rate, the fixed rate offered by PRM enables the City to avoid the dramatic increase in rates other employers will experience this upcoming policy year as a result of several significant cases decided by the Florida Supreme Court nullifying several reforms. While other employers may see up to a 19.6% increase in their workers' compensation rates, the City will enjoy its fixed rate for one more policy year presenting savings of \$48,475.00.

In past years, the City purchased roughly ten individual NFIP policies for select properties at an approximate cost of \$55,000 a year. Many of these covered properties are underinsured. Over 80% of properties, or 93 total locations, are situated in high-hazard flood zones (A and V). The cost to insure all 93 properties under NFIP is unimaginable, and so the City has chosen in the past to self-insure these properties for the first layer of flood insurance. However, through a joint effort between City Staff and Arthur J. Gallagher, a more flexible and cost effective solution was realized. As such, new this year to the City's insurance program is a flood blanket policy which offers coverage to any of the City properties associated in high-hazard zones up to the \$1.5 million limit, as opposed to carrying coverage on a select few properties.

The remainder of the policies detailed in the attached proposal and executive summary prepared by Arthur J. Gallagher are standard renewals of the City's marine, pollution and AD&D policies, with no significant changes noted.

FINANCIAL IMPACT:

If the City Commission accepts the recommendations of Staff as submitted, then the City will carry comprehensive coverage across the board with significant enhancements at the same rates as policy year 2015-2016. The proposed 2016-2017 budget contains sufficient funding for all coverages in the City's 502-1952 and 502-1953 accounts.

RECOMMENDATION:

Staff recommends the City Commission to award placement of the City's property and casualty insurance program for policy year 2016/2017 proposed by The Public Risk Management of Florida (PRM) as submitted by Arthur J. Gallagher & Company in the amount of \$903,871.00 as well as recognize Arthur J. Gallagher & Company as the City's agent/broker for the City's property and casualty insurance program for policy year 2015/2016.

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