



**City of Coral Gables**  
**CITY COMMISSION MEETING**  
**March 28, 2023**

**ITEM TITLE:**

A RESOLUTION OF THE CITY COMMISSION OF CORAL GABLES, FLORIDA, AUTHORIZING THE RENEWAL OF THE PROPERTY AND CASUALTY INSURANCE PROGRAM WHICH INCLUDES, BUT IS NOT LIMITED TO, PROPERTY, GENERAL LIABILITY, AUTOMOBILE LIABILITY, PUBLIC OFFICIALS ERRORS & OMISSIONS, EXCESS WORKERS' COMPENSATION, CRIME LIABILITY, CYBER LIABILITY, TERRORISM PROPERTY & LIABILITY, POLLUTION LIABILITY, DEADLY WEAPON PROTECTION COVERAGE, FLOOD, AS WELL AS OTHER ANCILLARY LINES OF INSURANCE COVERAGE AND INSURANCE BROKER FEES THROUGH ARTHUR J. GALLAGHER RISK MANAGEMENT SERVICES, INC., FOR A NOT TO EXCEED AMOUNT OF \$3,930,212 FOR THE POLICY PERIOD OF MAY 1, 2023 TO MAY 1, 2024. (FUNDING SOURCE: INSURANCE FUND)

**DEPARTMENT HEAD RECOMMENDATION:**

Approve.

**BRIEF HISTORY:**

The City's Agent of Record, Arthur J. Gallagher Risk Management Services, Inc. ("Gallagher"), has solicited and received quotes from various insurance carriers for the desired insurance policies shown below.

In addition to seeking quotes from various insurance carriers in the open market, Gallagher also sought to obtain a quote from Florida Municipal Insurance Trust (FMIT) as a possible option to insure the City's Package, Excess Workers Compensation and Property Programs. FMIT is a self-insurance trust fund that is administered by the Florida League of Cities. However, after receiving a completed application and insurance information from the City, FMIT advised that due to the hardening of the property insurance market and the reduced capacity, they will not be providing a quote as they are reserving its capital for renewing members of their trust.

Presented below is the renewal cost of the City's insurance program in the open market under its current program structure.

- **Property:** The property insurance market hardening continues in 2023 as rates continue to climb and capacity continues to shrink. Multiple years of poor underwriter performance due to CAT exposures such as hurricanes, wind/hail, wildfires and unprecedented winter weather have contributed to a changing marketplace. In addition, the terms are changing as many buyers of property insurance are seeing higher attachment points and deductibles. Because of the volatility of the property insurance market, underwriters are not providing firm property quotes until closer to the entity's renewal date. The City's property renewal date is May 1<sup>st</sup> and, as such, we anticipate obtaining firm quotes by mid-April. In the interim, Gallagher continues to negotiate with the underwriters to get the best property rate and fill the City's \$50 million in coverage for windstorm and total insured values for all other perils.

- Initial indications show that the maximum rate increase for the City's property insurance rate is currently estimated at approximately 37%. Assuming that the estimated rate increase remains at 37%, this rate increase would result in the City's overall property insurance premium to increase by approximately 62% (\$1,100,000), as the City's statement of values increased to \$346,507,215 from \$294,212,528, an increase of 18% from last year. The increased values are the result of on-site appraisals of 18 locations as part of the City's 3-year appraisal program, the addition of the Garage 7 and indexing locations with a 15% increase for buildings/structures and 8% for contents for those locations that have not been appraised since 2021.
  - In addition to increased rates/premium, underwriters have prompted that the maximum windstorm deductible of \$7.5 million will be removed.
  - Gallagher continues to seek more favorable terms and together with the City is exploring options regarding the structure of the property insurance program (e.g., reduced TIV, reduce coverage for all other perils, etc. ) in an effort to reduce the premium while ensuring that the risk remains similar.
- **Package (Liability):** Currently, the City's Package Policy provides a total limit for the City of \$5,000,000 per occurrence (\$4,650,000 in excess of the City's self-insured retention levels of \$350,000 per occurrence) for the liability coverages included in the package. The liability coverages included in the above mentioned limit are general liability, automobile liability, public officials' liability, employee benefits liability, and law enforcement liability. The current workers' compensation coverage provided by the Package Policy is subject to a limit of \$500,000 for any one accident in excess of a self-insured retention of \$500,000 per occurrence. The renewal quote maintaining the same terms as existing is \$880,000 (9% increase). The City obtained a quote for \$500,000, which is a decrease of 38% from last year if it increased the workers' compensation claim self-insured retention from \$500,000 to \$1,000,000. The City reviewed its 10-year history of its workers' compensation claims and in those 10 years did not have a claim that exceeded the current \$500,000 self-insured retention. After due consideration and based on the City's 10-year loss history for workers' compensation claims, the City will be increasing its self-insurance retention claims for workers' compensation claims to \$1,000,000 to obtain considerable savings (\$380,000) with limited risk.
- **Excess Workers' Compensation:** The excess workers' compensation policy provides workers' compensation coverage in excess of the City's new self-insurance retention of \$1,000,000.00. The City received more favorable terms by switching to another insurance carrier, which resulted in a quote that decreased by approximately 10%.
- **Flood Insurance:** The City's flood insurance premium with the incumbent increased by approximately \$97,000, which is this is attributable to a rate increase of 16% due to the hardening market and the addition of 13 locations per current flood zone map determination (for a total of 23 locations). Coverage for some locations was increased to \$1,000,000 from \$500,000.

The City’s general terms and conditions for all the other coverages are similar to last year with some less significant increases/terms.

The current total estimated cost to renew the various insurance policies in the open market is approximately \$886,000, more than the cost of these policies in the prior year.

The following is a summary description indicating insurance policies and premiums:

<b>Description of the Insurance Policy, Surcharge or Fee</b>	<b>Premiums/Fees May 1, 2022 to May 1, 2023</b>	<b>Premiums/Fees May 1, 2023 to May 1, 2024</b>
Package	\$804,000	\$500,000
Excess Workers Comp	\$172,305	\$154,821
Property	\$1,785,242	\$2,890,000
Boiler & Machinery	\$10,800	\$11,277
ADD Business Travel	\$750	\$750
ADD Police and Fire	\$12,864	\$12,053
Bond - Finance Director	\$1,138	\$1,138
Bond - Golf and Country Club Health Studio	\$250	\$250
Bond – War Memorial Youth Center Health Studio	\$250	\$250
Pollution Liability ( 2 year premium)	\$23,900	\$35,600
Crime	\$11,637	\$12,376
Sports Liability	Included in Package	Included in the Package
ADD Sports	\$11,662	\$9,410
Cyber Liability	\$79,569	\$59,614
Terrorism Liability and Property	\$20,000	\$26,000
Active Assailant/ Deadly Weapon	\$5,900	\$10,903
Flood ( adding 13 locations per flood map )	\$9,720	\$97,839
EMPA & TRIA fees	\$4,500	\$2,931
Insurance Brokerage Fee (Gallagher)	\$90,000	\$90,000
Contingency fee & other ancillary coverage		\$15,000
<b>Total Cost of Program</b>	<b>\$3,044,487</b>	<b>\$3,930,212</b>

On March 6<sup>th</sup> and 17<sup>th</sup> of 2023, we met with the Insurance and Risk Management Advisory Board (the “Board”) to discuss the City’s insurance renewal. During these meetings, the Board was provided with detailed presentations of the quotes obtained from the different carriers for the various types of insurance coverage as well as being apprised of the current property quote indication which is still pending as the City’s broker continues to work with the property

insurance market. The Board understood the market conditions and did not have any objections to moving forward with the current not to exceed number (\$3,930,212) and with the changes to the terms as reflected herein.

As the City continues to seek more favorable terms and explore different options regarding the structure of the property insurance program (e.g., reduced TIV, reduce coverage for all other perils, etc.), we will continue to meet with the Board to keep them apprised of the status.

**FINANCIAL INFORMATION: (If Applicable)**

	<b>Amount</b>	<b>Account No.</b>	<b>Source of Funds</b>
	Not to exceed \$3,930,212	540-0000-590-4550	Insurance Fund
<b>Total:</b>		<b>APPROVED BY:</b>	

**Attachments:**

- 1. Resolution**
- 2. Insurance renewal proposal and premium summary presented by Arthur J. Gallagher**
- 3. Board Minutes (March 6, 2023 and March 17, 2023)**