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April 5, 2018

**SENT BY EMAIL**

Ms. Raquel Elejabarrieta, Esq.  
Director of Labor Relations and Risk Management  
2801 Salzedo Street  
Coral Gables, FL 33134

Subject: City of Coral Gables  
Siver Summary and Recommendation  
Commercial Property and Casualty Insurance Program

Dear Ms. Elejabarrieta:

At the request of the City of Coral Gables, Florida ("the City"), Siver Insurance Consultants ("Siver") has reviewed various renewal options presented to the City by Arthur J. Gallagher and Company ("Gallagher") for renewal of the City's public entity liability insurance package policy ("the Package"), the City's commercial property insurance program ("the Property Program"), the Cyber-Liability policy and seven other miscellaneous policies purchased by the City.

As a result of our review of these proposals and additional supporting documentation, we offer the following recommendations and commentary.

## **RECOMMENDATION**

### **Public Entity Package Policy**

Siver recommends that the City accept the Package, including the Excess Liability proposal, from Underwriters at Lloyd's/Brit Syndicate 2987 ("Brit"), as presented by Gallagher. The Public Entity 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)

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for the liability coverages included in the package.<sup>1</sup> The Workers' Compensation coverage provided by the Package 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 premium for this package from Brit, before Florida fees and assessments, is \$605,675.

We recommend that the City accept the renewal proposal for Excess Workers' Compensation coverage from New York Marine Insurance Company ("New York") for a premium of \$188,735.

The excess workers' compensation/employers' liability policy provides workers' compensation statutory coverage and a \$1,000,000 employers' liability limit over the Package policy's workers' compensation/employer's liability coverage limit of \$1,000,000 per occurrence.

### **Commercial Property**

Our recommendation is that the City accept the proposed Property Program to be provided by a combination of Underwriters at Lloyd's ("Lloyds"), Ironshore Specialty Insurance Company ("Ironshore"), Evanston Insurance Company ("Evanston"), Landmark American Insurance Company ("Landmark"), and Everest Indemnity Insurance Company ("Everest") for a proposed combined program premium of \$1,115,000.

The recommended program includes \$50,000,000 of Named Windstorm coverage, \$10,000,000 of flood coverage, and \$252,314,816 of coverage for "all other perils," subject to a deductible of \$50,000 per occurrence, except for the perils of Named Windstorm and flood from Named Windstorms, which are subject to a deductible of 5% of the total insurable value of each "unit of insurance" at each damaged location.<sup>2</sup> Flood losses from other than a Named Windstorm are subject to a \$100,000 deductible per occurrence, except for those locations within a special flood hazard area where coverage will be provided in excess of the maximum limits available from the National Flood Insurance Program.

In addition, we recommend that the City renew the Boiler and Machinery coverage through Travelers Property and Casualty Insurance Company ("Travelers") with a limit of \$50,000,000 at a premium of \$9,636.

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<sup>1</sup> The Public Entity Package includes the City's general liability, automobile liability, public officials' liability, employee benefits liability, law enforcement liability, workers' compensation and employer's liability coverages.

<sup>2</sup> The Named Storm percentage deductible is subject to a \$250,000 minimum and \$7,500,000 maximum per occurrence for windstorm damage. For Named Storm related flood, the minimum deductible is \$500,000 for buildings and \$500,000 for contents, which is consistent with the maximum limits available from the National Flood Insurance Program.

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### **Cyber Liability**

We recommend that the City accept the proposal presented for Cyber/Privacy Liability coverage from Brit with a limit of liability of \$5,000,000 per claim/aggregate for a premium of \$18,563.

### **Crime**

The City's Crime insurance is provided by Travelers Casualty and Surety Company of America. We recommend that the City accept the proposal to continue the crime coverage with limits of \$5,000,000 per occurrence and subject to a \$50,000 deductible/retention for each occurrence<sup>3</sup> for a premium of \$12,070. The policy provides coverage for crime/theft losses suffered by the City as the result of:

- Employee Dishonest/Theft
- Forgery or Alteration
- On Premises – Theft
- In Transit – Theft
- Money Orders and Counterfeit Money
- Computer Fraud
- Funds Transfer Fraud
- Social Engineering Fraud
- Claim Expenses

### **Terrorism – Liability**

We recommend that the City accept the renewal proposal from Indian Harbor Insurance Company, for liability arising out of acts of Terrorism for a premium of \$10,000. The policy, which the City first purchased last year, provides coverage for liability arising out of both certified and non-certified acts of terrorism and is subject to a per occurrence and aggregate limit of \$25,000,000. The policy is subject to a \$50,000 per occurrence deductible.

### **Terrorism - Property**

We are also recommending that the City accept the renewal proposal offered by Indian Harbor Insurance Company to continue the coverage for damage to City property resulting from an act of terrorism for a premium of \$14,318. The policy was first purchased by the City last year and provides coverage for damage to City property arising out of both

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<sup>3</sup> The coverage for money orders and counterfeit money is subject to a limit of \$50,000 and a retention of \$1,000 per occurrence. The coverage for claim expenses is subject to limit of \$5,000 and a retention of \$0 per occurrence.

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certified and non-certified acts of terrorism and is subject to a per occurrence limit equal to the City’s total insured values of \$252,314,816 and a deductible of \$50,000 per occurrence.

**Miscellaneous Policies**

In addition, we recommend that the City purchase the renewal of the following additional miscellaneous property and casualty policies for which renewal was offered by Gallagher:

<b>Coverage</b>	<b>Insurer</b>	<b>Premium</b>
<b>Accidental Death &amp; Dismemberment – Business Travel</b>	Hartford Life and Accident Insurance Company	\$360
<b>Accidental Death &amp; Dismemberment – Police and Fire</b>	Hartford Life and Accident Insurance Company	\$12,338
<b>Public Official Bond – Finance Director</b>	Hartford Fire Insurance Company	\$1,138
<b>Storage Tank</b>	Commerce and Industry Insurance Company	\$2,900
<b>Sports Liability</b>	Scottsdale Insurance Company	\$21,006
<b>Accidental Death and Dismemberment – Amateur Sports</b>	National Casualty Insurance Company	\$16,006
<b>TOTAL PREMIUM</b>		<b>\$53,748</b>

**DISCUSSION**

**Public Entity Package**

*Premium*

The premium for the expiring Brit Package policy is \$580,000. The premium for the 2018/2019 renewal will increase 4% to \$605,675. Although the premium rate for the renewal will stay the same as the expiring policy, in accordance with Brit’s flat rate renewal guarantee, increases in the premium rating basis (expenditures, payroll, number of employees & automobiles) have resulted in the higher premium.

The City’s excess workers’ compensation/employers’ liability policy is currently provided by New York Marine and General Insurance Company (“New York”) at a premium of \$194,100. New York has proposed a renewal premium of \$188,735 with a two year rate guarantee. Gallagher also provided an alternative proposal for similar excess coverage but with no rate guarantee from Arch Insurance Company (“Arch”), for a premium of \$188,802.

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We recommend that the City continue their excess workers' compensation coverage with New York for a premium of \$188,735. The New York workers' compensation policy premium rate of .2510 per \$100 of remuneration should remain the same for the 2019 policy renewal.

#### *Brit Rate Guarantees*

Brit has offered to continue their flat renewal rate guarantee for the 2019 renewal subject to the following conditions:

- As of sixty days prior to the renewal date of May 1, 2019, the incurred losses (including ALAE) to Brit Global Specialty USA's 2018 Package policy is less than or equal to 50% of the 2018 policy year's gross premium.
- As of sixty days prior to the renewal date of May 1, 2019, the annual average incurred losses (including ALAE) to the 2014-2017 policies is less than or equal to 50% of the 2018 policy year's gross premium.
- Brit Global Specialty USA deem there is no material change in the physical and/or moral hazards of the Assured which significantly increases loss potential during this annual policy term or during the renewal term beginning May 1, 2019.
- Brit Global Specialty USA deem there is no material change to the terms and conditions, limits, deductibles, or policy language during this annual policy term or requested for or during the renewal term beginning May 1, 2019.
- A renewal statement of accurate exposures is provided to us no later than 30 days prior to the May 1, 2019 annual policy term.

### **Property Program**

#### *Background*

The City's expiring Property Program is provided by a combination of seven different insurers, with Lloyd's providing the primary layer. The expiring Property Program includes \$50,000,000 of coverage for Named Storms and \$10,000,000 of coverage for flood. For perils other than Named Storm, Landmark provides property coverage excess over the first \$25,000,000 up to the City's 2017/2018 total insured values of \$252,314,816. The deductible in the City's Property Program is \$50,000 per occurrence, for all perils except for the perils of named windstorm and flood, which are subject to a deductible of 5% of the total insurable values at the damaged location, subject to a minimum of \$250,000 per occurrence.

The total program cost of the City's expiring Property Program is \$984,906.

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*Proposed Renewal Terms*

Gallagher has offered a renewal proposal to the City on basically the same terms as the expiring program, and with essentially the same structure of insurers for a proposed premium of \$1,123,188.00, which represents an increase in premium of \$138,282 or approximately 14%. 4% of that increase is due to higher total insurable property values for the renewal (from \$242,312,608 to \$252,314,816).

The City's renewal property program will include a limit of \$1,000 per tree, shrub, or plant, subject to a total sublimit for this coverage of \$250,000.

*Recommended Alternative Proposal*

Alternative Excess \$25,000,000 Wind Layer

In addition to the renewal proposal with the same insurer structure as the expiring policy, Gallagher has offered a proposal which replaces the current wind only layer of coverage which is currently provided on a shared basis by Westchester Surplus Lines, Ironshore Specialty Insurance Company and Endurance American Specialty, with one insurer, Everest Indemnity Insurance Company ("Everest"). The cost of the Everest policy is \$8,188 less than the shared arrangement, for a total property policy premium of \$1,115,000.

We recommend that the City accept the proposal for property coverage which includes Everest and a proposed policy property program premium of \$1,115,000.

*Optional Additional Tree Coverage*

Since there has been discussion regarding increasing the coverage limit for trees, shrubs and plants, Gallagher has provided an indication for a three year policy with the following staggered limits that would respond if a storm makes landfall within 25 miles of the City.

<u>Storm Strength</u>	<u>Limit</u>
Category 2 correlated storm	\$5,000,000
Category 3 correlated storm	\$7,500,000
Category 4 correlated storm	\$10,000,000

Gallagher did not identify the name of the insurer or provide further detail on this "parametric trigger" policy except to state that the indicated premium is \$500,000 per year or \$1,500,000 for all three years. Due to the excessive high premium, we have not recommended that tree coverage option.

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*Boiler and Machinery*

Boiler and Machinery/Equipment Breakdown coverage is not covered in the Property Program. As a result, the City purchases stand-alone Boiler and Machinery/Equipment Breakdown from Travelers. The Travelers policy provides \$50,000,000 of Boiler and Machinery/Equipment Breakdown coverage. The expiring premium for the Travelers Boiler and Machinery/Equipment Breakdown is \$9,668. For 2018/2019, Travelers has offered to renew the policy for a premium of \$9,636. This represents a nominal decrease in premium of \$32.

**Terrorism Property Coverage**

The City's coverage for damage to City property resulting from an act of terrorism is provided by Indian Harbor Insurance Company and Gallagher has offered a renewal proposal on the same terms and conditions as the expiring policy for a premium of \$14,318. The policy was first purchased by the City last year and provides coverage for damage to City property arising out of both certified and non-certified acts of terrorism and is subject to a per occurrence limit equal to the City's total insured values of \$252,314,816 and a deductible of \$50,000 per occurrence.

*Optional Coverage*

Gallagher has offered an optional coverage for property damage, business interruption and extra expense arising out of an Active Assailant event. The coverage, which is offered by the XL Catlin Group, is available for an additional premium of \$15,750 for a \$1,000,000 coverage limit and \$35,000 for a \$5,000,000 limit.

The coverage is intended to respond to a premeditated malicious physical attack by an Active Assailant who is armed with a hand-held weapon, explosive device in the hand or on the body or any road vehicle that is used as a weapon to cause physical damage or bodily injury. A covered event must affect three or more people physically present during the attack. The assailant may or may not be affiliated with a terrorist organization.

The extra expense coverage can include public relations consultancy costs, relocation expense, counselling and psychiatric care costs, medical expense, job retraining costs, recruitment costs and temporary security costs.

Due to the limited scope of the coverage provided, we have not recommended this coverage.

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## **Cyber Liability**

### *Current Policy*

The City's expiring Cyber-Liability policy is written by Federal Insurance Company (Chubb) and provides a \$3,000,000 per claim/aggregate limit for the following coverages:

- Cyber Liability;
- Regulatory Action;
- E-Business Interruption/Extra Expense
- Privacy Notification & Crisis Mgmt Expense
- E-Threat Expenses
- E-Vandalism Expenses

The Chubb policy is subject to a \$50,000 self-insured retention. Reward and expenses coverage is subject to \$25,000 limit and a \$5,000 deductible.

The premium for the expiring Chubb policy is \$29,639.

### *Proposed Chubb Renewal Terms*

Gallagher has offered a renewal proposal to the City on the same terms as the expiring program with Chubb for a renewal of \$25,695.

### *Recommended Brit Proposal*

Gallagher offered an alternative coverage proposal for Cyber-Liability from Brit with a \$3,000,000 per claim/aggregate limit and a \$50,000 self-insured retention for a proposed premium of \$15,345 (\$10,350 less than Chubb's quote). Brit also offered coverage with a \$5,000,000 limit for \$18,563. We are recommending that the City accept the Brit quote with a \$5,000,000 limit for a premium of \$18,563.

While the structure of the Brit policy is different from the Chubb policy, the basic coverages are similar. Those coverages include:

- Privacy & Security Liability And Regulatory Coverage
- Privacy & Security Breach Response Coverage
- PCI DSS Assessment Coverage
- Cyber Extortion Coverage
- Business Income and Digital Asset Restoration Coverage
- Multimedia Liability Coverage



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One area where the Brit policy is not as broad as the current Chubb coverage is as respects Reward Coverage. The Chubb policy includes a \$25,000 limit, subject to a \$5,000 Retention, for amounts paid to an informant that leads to the arrest and conviction of a person or entity responsible for a cyber-attack, fraudulent access or transmission or a threat.

### **Miscellaneous Property and Casualty Policies**

#### *Premium Summary*

We have also recommended that the City purchase the renewal of the additional miscellaneous property and casualty policies which are shown below. With the exception of some changes in premium, which you can see in the chart, these policies have been offered for renewal without any significant changes in coverage unless otherwise noted.

As you can see from the chart below, most of the coverages either stayed at the expiring premium or increased marginally. For those coverages that did increase in premium, the increases were within the reasonable expectations of the current insurance marketplace, and the increases were also, to some extent, caused by increases in the exposure basis of the particular policy.

Coverage	Insurer	2016/2017 Premium	2017/2018 Premium	% Change
<b>Accidental Death &amp; Dismemberment – Business Travel (2<sup>nd</sup> year of 2 year policy)</b>	Hartford Life and Accident Insurance Company	\$360	\$360	0.0%
<b>Accidental Death &amp; Dismemberment – Police and Fire (2<sup>nd</sup> year of 2 year policy)</b>	Hartford Life and Accident Ins. Company	\$12,338	\$12,338	0.0%
<b>Public Official Bond – Finance Director</b>	Hartford Fire Insurance Company	\$1,138	\$1,138	0.0%
<b>Storage Tank</b>	Commerce and Industry Ins. Company	\$2,549	\$2,900	+14%
<b>Sports Liability</b>	Scottsdale Insurance Company	\$21,006	\$21,006	0.0%
<b>Accidental Death and Dismemberment – Amateur Sports</b>	National Casualty Insurance Company	\$16,006	\$16,006	0.0%
<b>TOTAL PREMIUM</b>		<b>\$53,397</b>	<b>\$53,748</b>	<b>+&lt;1%</b>

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**Financial Strength of Insurers**

The insurers proposed by Gallagher have the following financial ratings from A.M. Best:

<b>Insurance Company</b>	<b>Coverage</b>	<b>Best's Rating</b>
Underwriters at Lloyd's (Brit)	Public Entity Package Policy Alternative Cyber Liability Coverage	A (XV)
New York Marine and General Ins. Co.	Excess Workers Compensation	A- (IX)
Arch Insurance Company	Alternative Excess Workers Compensation	A+ (XV)
Underwriters at Lloyd's	Property – First \$10,000,000 including named windstorm	A (XV)
Ironshore Specialty Ins. Co.	Property - \$7,500,000 part of \$15,000,000 excess of \$10,000,000 including named windstorm; also part of \$25,000,000 excess of \$25,000,000 named windstorm only	A (XIV)
Evanston Insurance Company	Property - \$7,500,000 part of \$15,000,000 excess of \$10,000,000 including named windstorm	A (XV)
Landmark American Insurance Company	Property - \$218,201,290 excess of \$25,000,000 excluding named windstorm	A+ (XIV,)
Westchester Surplus Lines	Part of \$25,000,000 excess of \$25,000,000 named windstorm only	A++ (XV)
Endurance American Specialty Insurance Co.	Part of \$25,000,000 excess of \$25,000,000 named windstorm only	A+ (XV)
Everest Indemnity Insurance Co.	Alternative proposal: \$25,000,000 excess of \$25,000,000 named windstorm only	A+ (XV)
Indian Harbor Insurance Company	Liability Terrorism Property Terrorism	A (XV)
Travelers Property Casualty Insurance Co.	Boiler and Machinery	A++ (XV)
Federal Insurance Company (Chubb)	Cyber Liability	A++ (XV)
Hartford Life and Accident Ins. Co.	Accidental Death & Dismemberment – Business Travel/Police and Fire	A (XIV)
Hartford Fire Ins. Co.	Public Official Bond – Finance Director	A+ (XV)
Commerce and Industry Ins. Co.	Underground Storage Tank	A (XV)
Travelers Casualty and Surety Co. of America	Excess Crime	A++ (XV)
Scottsdale Insurance Company	Sports Liability	A+ (XV)
National Casualty Co,	Accidental Death and Dismemberment – Amateur Sports	A+ (XV)

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In our opinion, all of the insurers being used to place the City's insurance programs are acceptable and have very sound financial ratings.

### SUMMARY AND CLOSING

To summarize, Siver recommends that the City accept the Package from Brit as presented by Gallagher. The premium for this package option from Brit is \$605,675. We also recommend the excess workers' compensation renewal proposal from New York Marine and General Insurance Company, which provides statutory limits over the Package's workers' compensation limits for a premium of \$188,735 (total premium of \$794,410).

We recommend that the City accept the proposed Property Program to be provided by a combination of Lloyd's, Ironshore, Evanston, Landmark, and Everest, as presented by Gallagher, for a premium of \$1,115,000.

We recommend the City accept the purchase of Boiler and Machinery insurance from Travelers Property and Casualty Insurance Company for a premium of \$9,636.

We recommend that the City purchase the proposed Cyber Liability coverage from Brit with a \$5,000,000 limit for a premium of \$18,563.

We recommend that the City accept the proposal to renew the Crime policy with Travelers for a total premium of \$12,070.

We recommend that the City renew their coverage for liability arising out of both certified and non-certified acts of terrorism, subject to a per occurrence and aggregate limit of \$25,000,000 from Lloyd's of London for a premium of \$10,000.

We recommend that the City continue coverage for damage to City property arising out of both certified and non-certified acts of terrorism subject to a per occurrence limit equal to the City's total insured values of \$252,314,816 from Lloyd's of London for a premium of \$14,318.

In addition, we recommend that the City purchase the renewal of six additional miscellaneous property and casualty policies for which renewal was offered by Gallagher. These policies include the policies for Accidental Death & Dismemberment – Business Travel, Accidental Death & Dismemberment – Police and Fire, Public Official Bond – Finance Director, Storage Tank, Sports Liability and Accidental Death and Dismemberment – Amateur Sports. The combined premium for these seven policies before any applicable fees and assessments is \$53,748.

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In total, all of the insurance programs we have recommended to the City can be summarized as follows:

<b>COVERAGE</b>	<b>2017/2018 COST</b>	<b>2018/2019 COST</b>
<b>Package</b>	\$580,000	\$605,675
<b>Excess Workers' Compensation</b>	\$194,100	\$188,735
<b>Property Program</b>	\$984,906	\$1,115,000
<b>Boiler and Machinery</b>	\$9,668	\$9,636
<b>Cyber Liability</b>	\$29,639	\$18,563
<b>Crime</b>	\$10,500	\$12,070
<b>Liability Terrorism</b>	\$10,000	\$10,000
<b>Property Terrorism</b>	\$13,750	\$14,318
<b>Miscellaneous Property and Casualty Policies (6 total)</b>	\$53,397	\$53,748
<b>Citizens – State of Florida Assessment</b>	\$0	\$0
<b>EMPA – State of Florida Assessment</b>	\$32	\$32
<b>Total after surcharges</b>	\$1,885,992	\$2,027,777
<b>Broker Fee</b>	\$120,000	\$120,000
<b>Total Cost of Program</b>	<b>\$2,005,992</b>	<b>\$2,147,777</b>

We note the above total cost of the recommended program for the 2018/2019 policy year is \$141,785 (or 7%) more than last year's program.

We appreciate this opportunity to be of service to the City of Coral Gables. If you have any questions, please let us know.

Very truly yours,

SIVER INSURANCE CONSULTANTS  
 George W. Erickson, JD, CPCU, LLM