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March 15, 2017

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.¹ 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 \$580,000.

We also recommend the purchase of the excess workers' compensation proposal from New York Marine and General Insurance Company, which provides statutory limits over the Package's workers' compensation coverage (i.e., excess of \$1,000,000 per occurrence) for a premium (before fees and assessments) of \$194,100.

Commercial Property Insurance

Our recommendation is that the City accept the proposed Property Program to be provided by a combination of Underwriters at Lloyd's ("Lloyd's"), Liberty Surplus Insurance Company ("Liberty"), Evanston Insurance Company ("Evanston"), and Landmark American Insurance Company ("Landmark"), as presented by Gallagher.

The recommended program includes \$50,000,000 of Named Windstorm coverage, \$10,000,000 of flood coverage, and \$242,312,608 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"² at each damaged location.³ 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.

The premium, including Florida fees and assessments, for the recommended Property Program, is \$987,906.

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 \$9,668.

¹ 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.

² Having the City's Named Storm percentage deductible apply on a per "unit of insurance" basis is a major advantage for the City and, in many circumstances, results in much lower Named Storm deductible calculations for the City than if the deductible applied on a per location or similar basis.

³ The Named Storm percentage deductible is subject to a \$250,000 minimum 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 are also recommending that the City accept the proposal presented for Cyber/Privacy Liability coverage from Federal Insurance Company (“Chubb”), which has a limit of liability of \$3,000,000 per claim/aggregate for a premium of \$29,639.

Crime

The City’s Crime insurance is provided by Travelers Casualty and Surety Company of America. The expiring 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

In the expiring policy, the limits for the coverage above are \$1,000,000 per occurrence and the coverages are subject to a \$25,000 deductible/retention for each occurrence.⁴ The expiring premium for the Crime policy is \$4,942.

This year, Gallagher offered proposals to increase the limits on the City’s Crime policy. Because this is an important insurance coverage that provides valuable protection to City assets from numerous potential sources of loss, and because in our opinion, the premium for the increased limits is reasonable, we recommend that the City accept the proposal to renew the Crime policy with limits of \$5,000,000 per occurrence, which is subject to a deductible/retention of \$50,000 per occurrence for a total premium of \$10,500.

Terrorism – Liability

We are also recommending that the City accept the proposal presented for liability arising out of acts of Terrorism. This coverage is provided Indian Harbor Insurance Company and provides valuable coverage that fills a potential gap in the Brit Package created by various

⁴ 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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terrorism exclusions. The proposed policy 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.

The premium for this recommended new coverage is \$10,000.

Terrorism - Property

We are also recommending that the City accept the proposal presented for damage to City property resulting from an act of terrorism. This coverage is provided by Indian Harbor Insurance Company and provides valuable coverage that fills a potential gap in the City's property insurance program created by various terrorism exclusions. The proposed policy 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 \$242,313,608. The policy is subject to a \$50,000 per occurrence deductible.

The premium for this recommended new coverage is \$13,750.

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:

Coverage	Insurer	Premium
Accidental Death & Dismemberment – Business Travel	Hartford Life and Accident Insurance Company	\$360
Accidental Death & Dismemberment – Police and Fire	Hartford Life and Accident Insurance Company	\$12,338
Public Official Bond – Finance Director	Hartford Fire Insurance Company	\$1,138
Storage Tank	Commerce and Industry Insurance Company	\$2,549
Sports Liability	Scottsdale Insurance Company	\$21,006
Accidental Death and Dismemberment – Amateur Sports	National Casualty Insurance Company	\$16,006
TOTAL PREMIUM		\$53,397

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DISCUSSION

Public Entity Package

Premium

The combined premium for the expiring Brit Package, including the Excess Liability policy and Excess Workers' Compensation policy is \$910,643. For the 2017/18 renewal, Brit offered to reduce their premium for the City's liability package program from \$726,000 to \$580,000, and New York Marine and General Insurance Company offered a renewal of the Excess Workers' Compensation component that slightly increased their premium from \$184,643 to \$194,100.

Therefore, on the whole, the overall premium for the Public Entity Package was reduced by a total of \$136,543 from \$910,643 to \$774,100. This represents an approximate premium decrease of 15% from last year. In our opinion, this premium reduction is due to the combination of a competitive insurance market environment and continued improvement in the City's claims experience over the past five years.

Rate Guarantee

Another additional benefit offered by Brit for the 2017/18 renewal is that they have offered to provide a 2 year rate guarantee for their proposal.

AIX Alternative Proposal

Gallagher also provided an alternative package proposal from AIX Insurance Company. This premium for this proposal was \$500,338. While this represented a significant reduction over the Brit program premium of \$580,000, we are not recommending that the City switch to the AIX program because we has serious coverage concerns regarding the program which included the following major points of concern:

1. The AIX program had lower aggregate limits on several package coverages and their policy imposed aggregate coverage limits on general liability and law enforcement liability, which are not subject to aggregate limits in the first \$1,000,000 of the Brit program.
2. We had serious concerns that the coverage for Sexual Harassment and Sexual Abuse did not apply in as broad a fashion and to as many circumstances as those coverage apply to in the Brit program.
3. The AIX program had lower limits for Sexual Harassment and Sexual Abuse than the limits in the Brit program.
4. The AIX program did not clearly commit to providing the same retroactive dates as those provided in the Brit program.

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5. Brit provides a significant amount of loss control/loss prevention services which the City utilizes. It could not be established that AIX would be able to provide the same level of service to the City.
6. Brit offered a two year rate guarantee and AIX did not.

The Property Program

Background

The City's expiring Property Program is provided by a combination of four different insurers, with Lloyd's providing the primary layer. The expiring Property Program includes \$25,000,000 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 2016/2017 total insured values of \$243,201,290. 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 \$882,200.

Renewal Terms

Gallagher has offered a renewal proposal to the City on the same terms as the expiring program, and with essentially the same structure of insurers. The proposed renewal premium for the same structure is \$832,906, which represents a reduction in premium of \$49,294 or approximately 5.6%.

Coverage Enhancements

In addition to the premium reduction, which is largely due to the competitive insurance market for Property Insurance, Gallagher was able to obtain a quote for increasing the City's Named Storm limit from \$25,000,000 to \$50,000,000. The additional premium for this increase is \$155,000.

Siver recommends that the City purchase this option to increase the City's overall Named Storm limit to \$50,000,000. This would increase the premium for the Property Insurance program to 987,906. While this is a significant increase in the property program premium, in our opinion, it is very much worthwhile as it will double the amount of Named Storm coverage available in the Property Insurance program.

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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 \$9,578. For 2017/2018, Travelers has offered to renew the policy for a premium of \$9,668. This represents an increase in premium of \$90 (1%).

Cyber Liability

Current Policy

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

- Security & Privacy Liability;
- Specialty Professional Liability;
- Event Management;
- Regulatory Action;
- Media Content Liability;
- Cyber Extortion; and
- Network Interruption.

Regulatory Action is subject to a \$1,000,000 sublimit. Event Management (including notifications, credit monitoring, and ID theft coverage) is subject to a \$250,000 sublimit,⁵ and Network Interruption is subject to a \$500,000 sublimit.

The AIG policy is subject to a \$50,000 self-insured retention. The premium for the expiring AIG policy is \$37,333.

Renewal Terms

Gallagher has offered a renewal proposal to the City on the same terms as the expiring program with AIG for a renewal of \$37,124, which represents a nominal premium decrease of \$209.

⁵ Event Management coverage also includes coverage for notification, credit monitoring and ID theft for up to 500,000 affected people, outside of the policy limit.

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Chubb Proposal

Gallagher also presented a proposal for Cyber-Liability from Federal Insurance Company (“Chubb”). The Chubb proposal provided similar limits and retentions to the expiring AIG program. However, the Chubb proposal also included a significant increase in the coverage for “Privacy Notification and Crisis Management Expenses” (known as “Event Management” in the AIG policy) from \$250,000 in the AIG program to \$3,000,000 in the Chubb program. In our opinion, this coverage is one of the most valuable coverages in the policy as it covers the significant expenses of notification and credit monitoring which can be incurred as a result of a large scale breach of personal information. In addition, the Chubb policy’s premium is \$29,639, which is a significant premium savings of \$7,694 (21%) over the cost of the expiring AIG policy.

As a result of the improved coverage terms and lower premium, we are recommending the Chubb Cyber-Liability policy for a premium of \$29,639.

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.

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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
Accidental Death & Dismemberment – Business Travel	Hartford Life and Accident Insurance Company	\$360	\$360	0.0%
Accidental Death & Dismemberment – Police and Fire	Hartford Life and Accident Ins. Company	\$12,338	\$12,338	0.0%
Public Official Bond – Finance Director	Hartford Fire Insurance Company	\$1,750	\$1,138	-35.0%
Storage Tank	Commerce and Industry Ins. Company	\$2,375	\$2,549	+7.3%
Sports Liability	Scottsdale Insurance Company	\$22,639	\$21,006	-7.2%
Accidental Death and Dismemberment – Amateur Sports	National Casualty Insurance Company	\$16,716	\$16,006	-4.3%
TOTAL PREMIUM		\$56,178	\$53,397	-4.9%

Financial Strength of Insurers

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

Insurance Company	Coverage	Best's Rating
Underwriters at Lloyd's (Brit)	Public Entity Package Policy	A (XV)
New York Marine and General Ins. Co.	Excess Workers Compensation	A (IX)
Underwriters at Lloyd's	Property – First \$10,000,000 including named windstorm	A (XV)
Liberty Surplus Ins. Co.	Property - \$7,500,000 part of	A (XV)

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Insurance Company	Coverage	Best's Rating
	\$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	
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)
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)

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

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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 \$580,000. We also recommend the purchase of the excess workers' compensation proposal from New York Marine and General Insurance Company, which provides statutory limits over the Package's workers' compensation limits for a premium of \$194,100 (total premium of \$774,100).

We recommend that the City accept the proposed Property Program to be provided by a combination of Lloyd's, Liberty, Evanston, Landmark, Westchester, Endurance and Travelers as presented by Gallagher. We are recommending the City purchase the option to increase the Named Storm limit in the Property Program from \$25,000,000 per occurrence to \$50,000,000 per occurrence. The premium for the recommended Property Program is \$987,906.

We recommend the City accept the purchase of Boiler and Machinery insurance from Travelers Property and Casualty Insurance Company for a premium of \$9,668.

We recommend that the City purchase the proposed Cyber Liability coverage from Federal Insurance Company (Chubb) for a premium of \$29,639.

We recommend that the City accept the proposal to renew the Crime policy with increased limits of \$5,000,000 per occurrence for a total premium of \$10,500.

We recommend that the City purchase 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 purchase 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 \$242,313,608 from Lloyd's of London for a premium of \$13,750.

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 \$53,397.

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

COVERAGE	2016/2017 COST	2017/2018 COST
Package	\$726,000	\$580,000
Excess Workers' Compensation	\$184,643	\$194,100
Property Program	\$882,200	\$987,906
Boiler and Machinery	\$9,578	\$9,668
Cyber Liability	\$37,333	\$29,639
Crime	\$4,942	\$10,500
Liability Terrorism	\$0	\$10,000
Property Terrorism	\$0	\$13,750
Miscellaneous Property and Casualty Policies (6 total)	\$56,178	\$53,397
Citizens – State of Florida Assessment	\$0	\$0
EMPA – State of Florida Assessment	\$16	\$32
Total after surcharges	\$1,900,890	\$1,888,992
Broker Fee	\$120,000	\$120,000
Total Cost of Program	\$2,020,890	\$2,008,992

We note that, even with the many enhancements added to the City's insurance program this year, the above Total Cost of Program for the 2017/2018 policy year is still \$11,898 (or 0.59%) less 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