

CITY OF CORAL GABLES, FLORIDA

RESOLUTION NO. 2015-74

RESOLUTION 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, WORKERS COMPENSATION, OTHER ANCILLARY LINES OF INSURANCE COVERAGE AND INSURANCE BROKER FEES THROUGH ARTHUR J. GALLAGHER RISK MANAGEMENT SERVICES, INC., IN THE AMOUNT OF \$ 2,174,013.35 FOR THE POLICY PERIOD OF MAY 1, 2015 TO MAY 1, 2016. **(FUNDING SOURCE: INSURANCE FUND).**

BE IT RESOLVED BY THE COMMISSION OF THE CITY OF CORAL GABLES:

SECTION 1. The authorization is hereby granted for the renewal of the property and casualty insurance program which includes, but are not limited to, property, general liability, automobile liability, public officials errors & omissions, workers compensation, other ancillary lines of insurance coverage and insurance broker fees through Arthur J. Gallagher Risk Management Services, Inc., in the amount of \$ 2,174,013.35 for the policy period of May 1, 2015 to May 1, 2016.

SECTION 2. That said Resolution shall become effective upon the date of its adoption herein.

PASSED AND ADOPTED THIS TWENTY-EIGHTH DAY OF APRIL, A.D., 2015.

(Moved: Lago / Seconded: Quesada)

(Yeas: Quesada, Slesnick, Keon, Lago, Cason)

(Unanimous: 5-0 Vote)

(Agenda Item: H-4)

APPROVED:


JIM CASON
MAYOR

ATTEST:


WALTER J. JOEMAN
CITY CLERK

APPROVED AS TO FORM AND
LEGAL SUFFICIENCY:


CRAIG E. LEEN
CITY ATTORNEY

*Insurance
Consultants*
SIVER

805 Executive Ctr. Dr. W., Ste. 110
St. Petersburg, Florida 33702-2525
Post Office Box 21343
St. Petersburg, Florida 33742
Telephone: (727) 577-2780
Fax: (727) 579-8692

Email: gerickson@siver.com

April 17, 2015

Ms. Elsa I. Jaramillo-Velez, Esq.
Human Resources Director
City of Coral Gables
Department of Human Resources
2801 Salzedo Street, 2nd Floor
Coral Gables, Florida 33134

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

Dear Ms. Jaramillo-Velez:

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") and the City's commercial property insurance program ("the Property Program").

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)

SIVER INSURANCE CONSULTANTS

Ms. Elsa Jaramillo-Velez

April 17, 2015

Page 2

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 \$750,000.

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 \$188,205.

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 Insurance Company ("Liberty"), Arch Specialty Insurance Company ("Arch"), Alterra Excess and Surplus Insurance Company ("Alterra"), and Landmark American Insurance Company ("Landmark"), as presented by Gallagher.

The recommended program includes \$25,000,000 of Named Windstorm coverage, \$5,000,000 of flood coverage, and \$214,023,569 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"³ at each damaged location.⁴ 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 \$1,020,087.35.⁵

¹ The Public Entity Package includes the City's general liability (including law enforcement liability), automobile liability, public officials' liability, employee benefits liability, workers' compensation and employer's liability coverages.

³ 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.

⁴ 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.

⁵ The \$1,020,087.35 property insurance premium includes an additional \$9,628 premium for a stand-alone boiler and machinery insurance which needed to be purchased because that coverage is not included in the

SIVER INSURANCE CONSULTANTS

Ms. Elsa Jaramillo-Velez
April 17, 2015
Page 3

Cyber Liability

We are also recommending that the City accept the renewal proposal presented for Cyber/Privacy Liability coverage from AIG Specialty Insurance Company ("AIG"), which has a limit of liability of \$3,000,000 per claim/aggregate for a flat renewal of \$37,333.

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	\$1,750
Underground Storage Tank	Commerce and Industry Insurance Company	\$1,757
Excess Crime	Travelers Casualty and Surety Company of America	\$4,518
Sports Liability	Scottsdale Insurance Company	\$21,504
Accidental Death and Dismemberment – Amateur Sports	National Casualty Insurance Company	\$16,161
TOTAL PREMIUM		\$58,388

Lloyd's property insurance program. It also includes a Citizen's assessment by the State of Florida for \$10,004.35 (1%) and a \$20 EMPA fee.

SIVER INSURANCE CONSULTANTS

Ms. Elsa Jaramillo-Velez

April 17, 2015

Page 4

DISCUSSION

Public Entity Package

Premium

Last year, the City purchased its Package Policy from Brit, which provided \$5,000,000 of coverage using a combination of a primary \$1,000,000 limit policy and an excess policy with a limit of \$4,000,000. The combined premium for the expiring Brit Package, including the Excess Liability policy and Excess Workers' Compensation policy was \$938,205. For the 2015/2016 renewal, Brit offered a renewal for the City's Package Program on a "flat" basis, with no changes in premium and no changes in coverage terms.

The Property Program

Background

The City's Property Program is provided by a combination of insurers which includes Lloyd's, Liberty, Arch, Alterra and Landmark. The Property Program includes \$25,000,000 of coverage for Named Storms and \$5,000,000 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 total insured values of \$214,043,969. 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 (including Boiler and Machinery) is \$1,040,558. After adding in State of Florida fees and assessments of \$34,558.96, the result is a total premium of \$1,075,116.96.

Renewal Terms

Gallagher has offered a renewal proposal to the City on the same terms as the expiring program with all of the same insurers. The proposed renewal premium (including Boiler and Machinery) is \$1,020,087.35, which represents a reduction in premium of \$55,029.61 or approximately 5.1%.

Inclusion of Pumps and Fountains

One enhancement included in the renewal of the City's property insurance for 2015 to 2016 is that the insurance program will now include coverage for approximately \$13,970,000 of

SIVER INSURANCE CONSULTANTS

Ms. Elsa Jaramillo-Velez
April 17, 2015
Page 5

pumps and \$11,009,600 of fountains, this addition represents property that is owned by the City but has not been insured in the program for many years because, in past years, the market for property insurance was not conducive to including such outdoor property at a reasonable cost.

Boiler and Machinery

Boiler and Machinery/Equipment Breakdown coverage is not covered in the Lloyd's policy. As a result, as was the case last year, the City will need to once again purchase stand-alone Boiler and Machinery/Equipment Breakdown from Travelers Property and Casualty Insurance Company ("Travelers"). The Travelers policy provides \$50,000,000 of Boiler and Machinery/Equipment Breakdown coverage. The premium for the Travelers Boiler and Machinery/Equipment Breakdown is \$9,628 which is included in the total Property premium for the City noted above.

Renewal Comparison

The following chart shows the new participation level of each insurer, compared to the expiring policy.

	2014/2015		2015/2016	
Layer	Insurer	Limit	Insurer	Limit
Primary – Includes Named Storm	Lloyd's	\$10,000,000	Lloyd's	\$10,000,000
1 st Excess – Excess of \$10,000,000 Includes Named Storm	Liberty Alterra Arch	\$7,500,000 \$3,500,000 <u>\$4,000,000</u> \$15,000,000	Liberty Alterra Arch	\$7,500,000 \$3,500,000 <u>\$4,000,000</u> \$15,000,000
2 nd Excess Excess of \$25,000,000 Excludes Named Storm	Landmark	\$188,800,563	Landmark	\$214,023,569

SIVER INSURANCE CONSULTANTS

Ms. Elsa Jaramillo-Velez

April 17, 2015

Page 6

The chart below is intended to summarize the renewal costs of the total Property Program in comparison to the expiring program.

Policy/Program	2014/2015 Policy Year	2015/2016 Policy Year	Percentage Change
Total Insurable Values	\$213,800,563	\$239,023,569 ⁶	.11%
Property Program Premium	\$1,075,116.19	\$1,020,087.35	-5.12%
Program Rate (per \$100 of Insurable Value)	0.0477	0.0427	-10.6%

Probable Maximum Loss

In 2013, Gallagher provided catastrophe modeling studies from two different catastrophe modeling software systems (RMS and AIR) for the City's properties. While the City's total values at risk have changed to some extent, in our opinion, the 2013 modeling results are still useful as a guide to determining the reasonableness and appropriateness of the Named Storm limits that the City purchases (i.e., \$25,000,000 per occurrence). However, because we understand that the RMS modeling software is set to again change sometime in 2015, we recommend that new catastrophe modeling studies be obtained before the 2016-2017 renewal is negotiated.

RMS Probable Maximum Losses

Using the results of the RMS model (version 11.0), the following probable maximum losses were projected for the City in 2013, both on a "ground up" basis (i.e., total loss with insurance recoveries not considered) and on a "gross loss" (i.e., the portion of the loss predicted to be paid by the insurer after taking into account deductibles), over the following time intervals.

Time Interval	Probable Maximum Loss "Ground Up" (i.e., total loss)	Probable Maximum Loss "Gross Loss" (i.e., net of deductibles)
20	\$3,640,410	\$1,705,274
50	\$11,858,239	\$9,383,682
100	\$20,401,558	\$17,410,086
250	\$34,661,467	\$30,805,326
500	\$47,936,984	\$43,360,357
1,000	\$63,479,990	\$58,066,260

⁶ The increase in Total Insured Values is largely due to the addition of the pumps and fountains into the schedule of insured property.

SIVER INSURANCE CONSULTANTS

Ms. Elsa Jaramillo-Velez

April 17, 2015

Page 7

AIR Probable Maximum Losses

In addition to the results from the modeling software from RMS, in 2013, Gallagher also provided results from the AIR catastrophe modeling software package. As the chart below shows, the AIR model has provided significantly lower probable maximum loss projections for the City in all time intervals than the RMS model's projections. Unfortunately, while in our opinion, the AIR model is a valuable analytical tool and should prove useful for the City in its own decision-making process, in our experience, only a few insurance companies will consider the results of the AIR model when determining the rates they will charge.

Using the results of the AIR catastrophe model, the following probable maximum losses were projected for the City.

Time Interval	Probable Maximum Loss "Ground Up" (i.e., total loss)	Probable Maximum Loss "Gross Loss" (i.e., net of deductibles)
20	\$2,098,281	\$1,140,075
50	\$7,026,127	\$3,044,818
100	\$12,603,570	\$6,690,750
250	\$21,643,409	\$14,001,249
500	\$27,609,443	\$19,484,237
1,000	\$39,187,538	\$30,082,304

Essentially, the results of both models are intended to represent, for each given time interval, the largest loss the City should expect to suffer from a catastrophic event. In other words, with the 100 year loss, this translates into a 1/100 or 1% probability that the City would experience that size loss in a given year. Likewise, the 250 year storm would represent a 1/250 or 0.4% probability that a loss of that size would occur in a given year.

The 250 year storm level is considered by many to be a reasonable amount to use as a benchmarking tool for property insurance purchasing decisions. The City's 250 year "ground up" probable maximum loss was estimated by RMS at \$34,661,467. The City's 250 year "ground up" probable maximum loss was estimated by AIR to be \$21,613,409.

When considering an amount of named storm coverage, it is important to understand that the limit selected applies in excess of the property program's 5% deductible. When looking at the amount of that same loss that is estimated to be collectible under the City's Property Program ("the gross loss"), the projected amount that would be collected from insurance is \$30,805,326 in the 2013 RMS study, which is approximately \$5,000,000 higher than the \$25,000,000 named storm coverage currently maintained by the City. However, it is worth noting that, at the 250 year level, the AIR catastrophe model predicts insured losses significantly lower than the \$25,000,000 limit of insurance at \$14,001,249.

SIVER INSURANCE CONSULTANTS

Ms. Elsa Jaramillo-Velez

April 17, 2015

Page 8

Based on our experience with the limits maintained by other Florida public entities, in our opinion, the City's \$25,000,000 Named Storm coverage is a reasonable amount for the City to purchase. Also, it is worth noting that, for purposes of FEMA eligibility, Gallagher obtains on behalf of the City annually, a certification of the "reasonableness" of the City's property insurance program from the Florida Office of Insurance Regulation.

In any event, while we support the City's purchase decision as being a reasonable decision, it is important for the City to recognize that at the City's current level of Named Storm insurance which the City purchases, there is a foreseeable possibility that actual losses from a major catastrophe could exceed the amount of insurance being purchased.

Of course, as always, we caution the City should not base its entire insurance buying decision on such computer catastrophe models. Typically, our advice is to use such studies as benchmarking tools, which can assist the analysis and decision-making process with respect to named windstorm limits. Regardless of the results of any study, we still often recommend our clients purchase named windstorm limits beyond their 250 year probable maximum loss projections when such coverage is available for a reasonable price. In our opinion, one of the most helpful uses of the catastrophe study is in determining the relative reasonableness of the pricing of a particular coverage, not whether there is a reason to purchase the coverage if reasonably priced.

Cyber Liability

Current Policy

Last year, the City elected to purchase Cyber Liability insurance from AIG. The current policy 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,⁷ and Network Interruption is subject to a \$500,000 sublimit.

⁷ 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.

SIVER INSURANCE CONSULTANTS

Ms. Elsa Jaramillo-Velez
April 17, 2015
Page 9

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 flat renewal of \$37,333.

Miscellaneous Property and Casualty Policies

Sports Liability

The only major change among the miscellaneous property and casualty insurance policies this year, is the sports liability insurance. The expiring carrier, National Casualty, proposed the renewal policy with a "brain injury" exclusion. Gallagher was able to find an alternative quote with a non-admitted insurer, Scottsdale Insurance Company (part of the same family of insurance companies as National Casualty) for a premium of \$21,504 which is only \$1,133 more than the National Casualty premium of \$20,371. Our recommendation is that the City procure the proposed Scottsdale program, which will not be subject to an exclusion for brain injuries.

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.

SIVER INSURANCE CONSULTANTS

Ms. Elsa Jaramillo-Velez

April 17, 2015

Page 10

Coverage	Insurer	2014/2015 Premium	2015/2016 Premium
Accidental Death & Dismemberment – Business Travel	Hartford Life and Accident Insurance Company	\$360	\$360
Accidental Death & Dismemberment – Police and Fire	Hartford Life and Accident Ins. Company	\$11,803	\$12,338
Public Official Bond – Finance Director	Hartford Fire Insurance Company	\$1,750	\$1,750
Underground Storage Tank	Commerce and Industry Ins. Company	\$1,639	\$1,757
Excess Crime	Travelers Casualty & Surety Co. of America	\$4,518	\$4,518
Sports Liability	Scottsdale Insurance Company	\$21,296	\$21,504
Accidental Death and Dismemberment – Amateur Sports	National Casualty Insurance Company	\$16,003	\$16,161
TOTAL PREMIUM		\$57,369	\$58,388

SIVER INSURANCE CONSULTANTS

Ms. Elsa Jaramillo-Velez

April 17, 2015

Page 11

Financial Strength of Insurers

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

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 \$15,000,000 excess of \$10,000,000 including named windstorm	A (XV)
Arch Specialty Ins. Co.	Property - \$4,000,000 part of \$15,000,000 excess of \$10,000,000 including named windstorm	A+ (IX)
Alterra Excess and Surplus Ins. Co.	Property - \$7,500,000 part of \$15,000,000 excess of \$10,000,000 including named windstorm	A (XIV)
Landmark American Ins. Co.	Property - \$214,043,969 excess of \$25,000,000 excluding named windstorm	A+ (XIII)
Travelers Property Casualty Insurance Co.	Boiler and Machinery	A++ (XV)
AIG Specialty Ins. Co.	Cyber Liability	A(XV)
Hartford Life and Accident Ins. Co.	Accidental Death & Dismemberment – Business Travel/Police and Fire	A (XV)
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 Ins. Co.	Accidental Death and Dismemberment – Amateur Sports	A+ (XV)

SIVER INSURANCE CONSULTANTS

Ms. Elsa Jaramillo-Velez

April 17, 2015

Page 12

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, before Florida fees and assessments, is \$750,000. 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 (before fees and assessments) of \$188,205 (total premium of \$938,205).

We recommend that the City accept the proposed Property Program to be provided by a combination of Lloyd's, Liberty, Arch, Alterra, Landmark, and Travelers as presented by Gallagher. The premium, including Florida fees and assessments, for the recommended Property Program (including boiler and machinery insurance), is \$1,020,087.35.

We recommend that the City accept and purchase the proposed Cyber Liability coverage from AIG, with the limits of \$3,000,000 per claim/aggregate for a premium of \$37,333.

In addition, we recommend that the City purchase the renewal of seven 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, Underground Storage Tank, Excess Crime, Sports Liability and Accidental Death and Dismemberment – Amateur Sports. The combined premium for these seven policies before any applicable fees and assessments is \$58,388.

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

COVERAGE	2014/2015 COST	2015/2016 COST
Package (including Public Entity Package, Excess Liability and Excess Workers' Compensation)	\$938,205	\$938,205
Property Program	\$1,075,116.96	\$1,020,087.35
Cyber Liability	\$37,333	\$37,333
Miscellaneous Property and Casualty Policies (7 total)	\$57,369	\$58,388
Total after surcharges	\$2,108,023.96	\$2,054,013.35
Broker Fee	\$120,000	\$120,000
Total Cost of Program	\$2,228,023.96	\$2,174,013.35

SIVER INSURANCE CONSULTANTS

Ms. Elsa Jaramillo-Velez

April 17, 2015

Page 13

We note that the above Total Cost of Program for the 2015/2016 policy year is \$54,010.61 (or 2.4%) less than last year's Total Cost of Program of \$2,228,023.96.

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,

A handwritten signature in black ink, appearing to read 'G. W. Erickson', with a long horizontal flourish extending to the right.

SIVER INSURANCE CONSULTANTS

George W. Erickson, JD, CPCU, LLM

J:\CLIENT\CORAL-P\2015\CORR\APR17\JARAMILLOVELEZ\LIAB\PROPRECREVD.DOC

Executive Summary

CITY OF CORAL GABLES

2801 Salzedo Street
Coral Gables, FL 33134

Presented: March 13, 2015

Effective: Thursday, May 01, 2015



Arthur J. Gallagher & Co.

Maria B. Vergho
Area Senior Vice President

Antonio Abella Sr.
Area Senior Vice President

Marye Gandulfo ARM
Executive Account Manager

Arthur J. Gallagher Risk Management Services,
Inc.
833 NW 53rd Street Suite 600
Miami, FL 33166

Marye_Gandulfo@ajg.com
Tony_Abella_Sr@ajg.com
www.ajg.com

City Of Coral Gables 2015-2016

Table of Contents

Service Team	3
Executive Summary	4

City Of Coral Gables 2015-2016

Service Team

Antonio Abella Sr. has primary service responsibility for your company. We operate using a team approach. Your Service Team consists of:

NAME / TITLE	PHONE / ALT. PHONE	EMAIL
Antonio Abella Sr. Area Senior Vice-President	305-639-3102	Tony_Abella_Sr@ajg.com
Maria Vergho Area Senior Vice President	305-639-3136	Maria_Vergho@ajg.com
Mayte Gandulfo, ARM Client Service Supervisor	305-639-3150	Mayte_Gandulfo@AJG.com
Yane Martinez Client Service Associate	305-639-3120	Yane_Martinez@ajg.com

Arthur J. Gallagher Risk Management Services (Miami)
Main Office Phone Number: **305-592-6080**

City Of Coral Gables 2015-2016

The City of Coral Gables Property & Casualty Insurance Program Renewal 2015

Thank you for the opportunity to present this executive summary for the City of Coral Gables Insurance Program Renewal. We are pleased to be able to bring the City a very favorable renewal.

- This will be the second renewal year for Lloyds of London as the package carrier. The underwriter met the Risk Manager in February to go over the exposures, loss control, claims history and training. The underwriting team felt comfortable with the results of the meeting and offered a flat renewal. \$750,000
- Property: The city included the Pumps Stations and Fountains into the Schedule of Values (SOV). Therefore the TIV increased by 12%. However, we were able to negotiate a premium reduction of 3%. Excess Workers Compensation renewal premium and rate are flat.
- Accidental Death and Dismemberment - ADD - Business Travel, ADD for Police and Fire, Storage Tank liability, Cyber Risk and Excess Crime were quoted at almost a flat renewal price.
- Sports Liability and Accidental Death and Dismemberment exposures went up from 18,686 to 18,911 participants.

The Sports Liability Renewal Quote with the incumbent carrier (National Casualty Company) now includes a brain injury exclusion in the CGL. This exclusion is covered by the City's General Liability program. The City would still have full participant legal liability coverage for any non-brain injury related incident/injury. The premium for this renewal is \$20,371

We obtained an alternative quote with a non admitted carrier (Scottsdale Insurance Company) which does not include the same brain exclusion. However, the Legal Liability to Participants Endorsement includes a "Brain Injury" provision whereby \$1,000,000 Each Occurrence Limit and \$4,000,000 Aggregate Limit, including damages, cost, charges and expenses incurred in the course of investigating and settling any claim, applies to tackle football, ice hockey, inline hockey, soccer, wrestling, cheerleading, lacrosse, rugby, futsal and gymnastics. The premium for the renewal option is \$21,504

- Arthur J. Gallagher Risk Management Services works closely with City of Coral Gables Human Resources/ Risk Management Division to provide resources and services that add value to the insurance purchasing decisions made throughout the year. Among the services we provide are:
 - ✓ Obtaining catastrophic loss modeling every year.
 - ✓ Obtaining current flood zone information for each location.
 - ✓ Approaching the market for creative options, as well as new carriers, to enhance the program.
- Needless to say that we take pride in our 34 years continuous relationship with the City of Coral Gables and pledge our ongoing service and support as we believe we need to continue earning your confidence and business every day.
- Other coverage to consider:
 - ✓ Terrorism – currently excluded.
 - ✓ Pollution – currently excluded

City Of Coral Gables 2015-2016

Large Locations at Risk:

In addition to loss from a catastrophic peril such as a hurricane, there is also concern for a significant loss to a single large building from a peril such as a fire or tomado. Listed below are the City's five largest buildings by total insured value. Please note that surrounding locations may represent additional values at risk.

Top Five Valued Buildings

Building Name	Address	Total Insured Value
FIRE AND POLICE / CENTRAL GARAGE	2801 SALZEDO STREET	\$ 36,598,735
PARKING GARAGE 2	220 ARAGON AVENUE	\$ 19,371,558
PARKING GARAGE 6	1 ARAGON AVENUE	\$ 14,808,403
CITY HALL	405 BILTMORE WAY	\$ 11,686,357
MUSEUM	285 ARAGON AVENUE	\$ 10,811,989

Marketplace Status as of March 2015

Property

As a result of several quiet hurricane seasons, as well as a large influx of capital into the market (both traditional and alternative), competition has been robust, and we have been successful in negotiating rate reduction for the City of Coral Gables. There is evidence that the market may be close to a bottom, but we will continue to negotiate for rate reductions, and/or coverage enhancements for our clients.

Excess Workers Compensation

The excess workers compensation insurance market has been challenging to Florida insureds and self-insureds for the last several years. During this time, many insurers have either exited the Florida marketplace, or severely curtailed their writings of this line of coverage. Of the carriers that remain in the market, the trend has been for them to require higher retentions and higher premiums. Reasons for this include:

1. Public Safety "presumptive" claims that have increased the types of claims that fall under workers compensation.
2. Newer, higher-cost treatments, which are more prevalent, and which are expected to have a major impact on today's claims, in the future.
3. More use of prescription medications for injured employees.
4. Medical inflation
5. Insurance company combined ratios that have been exceeding 100%
6. Limited investment income

Excess workers compensation coverage is intended to cover infrequent and large catastrophic losses. However, due to the above factors, the trend has been for more claims to become "large" claims, and enter the insured layer. Nevertheless, it now appears that a new equilibrium may have been reached. For well-performing accounts, 2015 on, after successive years of requiring ever higher retentions, carriers appear to be satisfied that the current retention levels will allow them to write business profitably for the long term.

City Of Coral Gables 2015-2016

About your Broker – Arthur J. Gallagher Risk Management Services, Inc

- Arthur J. Gallagher Risk Management Services and the City of Coral Gables have worked together for many years to provide the County with a comprehensive and cost effective solution to their Risk Management Program
- 4th largest in the World
- A public company traded on the New York Stock Exchange
- Over 300 offices throughout the United States and in all major insurance market centers
- Over \$5 billion worth of premiums placed Worldwide
- 20,000 employees worldwide linked together by Gallagher Online for immediate access to market information and client solutions
- Known nationally as the Public Entity Non-Profit and Scholastic experts
- Unsurpassed FEMA public assistance expertise

Our Florida Public Entity and Scholastic Position

- #1 Florida Public Entity & Scholastic Broker
- #1 Florida Property Broker → over 20 Accounts with property schedules over \$1 Billion in insurable values
- Over 40 Professionals specializing in the public sector in three branches throughout the state
- Cost Effective Programs - Gallagher offers our clients the best possible coverage for the lowest premium, with financially secure carriers. We strive to deliver the most cost-effective risk management solutions available. We hold your interest first.
- Market access and leverage with all major carriers (Domestic, Bermuda and London) that write public sector clients in Florida. Market knowledge, access and evaluation are critical to the City's risk management program. Gallagher knows the markets to access and has strong relationships with these markets. This is crucial to the placement of a successful and cost-effective insurance program for the City. Our long-term experience with Public Entity institutions qualifies us to analyze and negotiate with markets to obtain the broadest terms and conditions with the most competitive pricing structure for our clients. This is demonstrated in the extensive marketing and quote analysis we have performed for the City every year, for more than 30 years.
- Extensive knowledge and experience in public sector alternative risk and pooling programs
- Gallagher has specialized resources on staff available to our public sector clients in the area of claims advocacy and loss prevention.
- Our staff has extensive experience in handling Florida catastrophic windstorm claims.
- Our local staff has a high level of experience and expertise in dealing with FEMA and the Florida Office of Insurance Regulation to assure maximum recovery for our clients in a federally declared disaster.
- Satisfied and long lasting Public Entity relationships :
 - ✓ 17 Florida County Governments
 - ✓ 27 Florida County School Systems
 - ✓ 23 Florida Cities
 - ✓ 28 Florida State Colleges
 - ✓ More than 20 Florida Authorities and Special Districts

City Of Coral Gables 2015-2016

Liability
<p>♦ Carrier: Certain Underwriters at Lloyd's of London</p> <p>♦ General Liability and Law Enforcement Activities: \$4,650,000 per occ / \$5,300,000 Annual Agg. including the following sublimits:</p> <ul style="list-style-type: none"> ✓ Sexual Harassment: \$2,050,000 per occ / \$2,650,000 Annual Agg. ✓ Sexual Abuse: \$650,000 per occ / \$650,000 Annual Agg. <p>♦ Automobile Liability: \$4,650,000 per occ</p> <p>♦ Public Officials: * \$4,650,000 per occ / \$5,300,000 Annual Agg. including the following sublimits:</p> <ul style="list-style-type: none"> ✓ Errors & Omissions: \$4,050,000 per occ / \$5,300,000 Annual Agg. ✓ Employment Practice Liability: \$4,650,000 per occ / \$5,300,000 Annual Agg. <p>♦ Employee Benefits Liability: \$4,650,000 per occ / \$5,300,000 Annual Agg.</p> <p>Premium: \$750,000 + fees and assessments</p> <p>* Claims Made Coverage applies. Refer to policy for applicable Retroactive Date and Limits</p>
<p>SIR Per Occurrence \$350,000</p>

Workers Compensation
<p>♦ Carrier: New York Marine General Insurance Company</p> <p>Excess Workers Compensation</p> <p>Statutory</p> <p>Employers Liability: \$1,000,000 each accident / each employee for disease or cumulative injury</p> <p>Retention: \$1,000,000</p> <p>Premium: \$188,206</p>
<p>♦ Carrier: Certain Underwriters at Lloyd's of London</p> <p>WC: \$500,000 per occurrence vs \$500,000</p> <p>Employers Liability \$500,000 vs \$500,000</p> <p>Premium: Included in the Package policy</p>
<p>SIR Per Occurrence \$500,000</p>

Property Including Pumps & Fountains
<p>♦ Second Excess Property Excess of \$25MM per Occ.</p> <p>♦ Carrier: Landmark American Insurance Company</p> <p>Limits: \$214,023,569</p> <p>Premium: \$55,792 + fees and surcharges</p> <p>♦ First Excess Excess Layer Part of \$15MM Excess of \$10MM per Occ.</p> <p>♦ Carrier: Arch Specialty Insurance Company</p> <p>Limits: \$4,000,000</p> <p>Premium: \$78,571 + fees and surcharges</p> <p>♦ Carrier: Alterra Excess & Surplus Insurance Company</p> <p>Limits: \$3,500,000</p> <p>Premium: \$68,750 + fees and surcharges</p> <p>♦ Carrier: Liberty Insurance Company</p> <p>Limits: \$7,500,000</p> <p>Premium: \$147,322 + fees and surcharges</p> <p>Total Layer Price: \$294,643 + taxes and fees</p> <p>Primary Property</p> <p>♦ Carrier: Lloyd's of London</p> <p>Limits: Primary \$10,000,000 in any occurrence</p> <p>Premium: \$620,598 + fees and surcharges</p>
<p>Deductible:</p> <ul style="list-style-type: none"> • \$50,000 per Occurrence all other perils • 72-hour waiting for Time Element • \$50,000 Earthquake • Flood \$100,000 excess maximum NFIP limit available for Special Flood Hazard Areas (Prefix A or V) • 5% of total insured values affected at per unit subject to \$250,000 per occ minimum Flood as a result of Named Windstorm • 5% of the replacement cost value of each unit of insurance as per schedule on file subject to a min ded of \$250,000 any one occurrence in respect to Named Windstorm and Hail • \$100,000 per occ All Other Windstorm or Hail

City Of Coral Gables 2015-2016

COST COMPARISON-INCLUDING PUMP STATIONS AND FOUNTAINS

Policy Type	2014-2015	2015-2016	
Package (Lloyds)	\$ 750,000.00	\$ 750,000.00	0%
Excess WC	\$ 188,205.00	\$ 188,205.00	0%
Property	\$ 1,032,174.00	\$ 1,000,435.00	-3%
Boiler and Machinery	\$ 8,384.00	\$ 9,628.00	15%
ADD Business Travel	\$ 360.00	\$ 360.00	0%
ADD Police and Fire	\$ 11,803.00	\$ 12,338.00	5%
Bond Finance Director	\$ 1,750.00	\$ 1,750.00	0%
Storage Tank	\$ 1,639.00	\$ 1,757.00	7%
Crime	\$ 4,518.00	\$ 4,518.00	0%
Sports Liability	\$ 21,296.00	\$ 21,504.00	1%
ADD Sports	\$ 16,003.00	\$ 16,161.00	1%
Cyber Liability	\$ 37,333.00	\$ 37,333.00	0%
Total without surcharges	\$ 2,073,465.00	\$ 2,043,989.00	-1%
FCHFEA (1.3%)	\$ 24,142.22	\$ -	
Citizens (1%)	\$ 10,321.74	\$ 10,004.35	
EMPA	\$ 20.00	\$ 20.00	
Other Surcharges	\$ 75.00	\$ -	
Total after surcharges	\$ 2,108,023.96	\$ 2,054,013.35	-3%
Premium Savings		\$ 54,010.61	
Broker Fee	\$ 120,000.00	\$ 120,000.00	0%
Total Cost of Program	\$ 2,228,023.96	\$ 2,174,013.35	-2%

City Of Coral Gables

Property Premium Breakdown

		Premium 2015-2016 Including Pumps Stations and Fountains
Primary	Lloyds of London	\$ 650,000.00
1st XS Property	Liberty Surplus Insurance Company	\$ 147,322.00
1st XS Property	Alterra Excess & Surplus Insurance	\$ 68,750.00
1st XS Property	Arch Specialty Insurance	\$ 78,571.00
2nd XS Property	Landmark American Ins. Co.	\$ 55,792.00
Total Premium before Surcharges		\$ 1,000,435.00
Citizens (1%)		\$ 10,004.35
EMPA		\$ 20.00
Total		\$ 1,010,459.35

NOTE:

*Premiums above do not include TRIA except for the package which includes TRIPRA for WC.

Arthur J. Gallagher Risk Management Services Inc. has made every attempt to identify and bill all State of Florida taxes and assessments. Given the recent market events, we are not able to warranty the complete accuracy of these billings until the policies are issued. Additional billings to comply with recent legislature may apply.

It is understood that any other type of exposure/coverage is either self-insured or placed by another brokerage firm other than Gallagher. If you need help in placing other lines of coverage or covering other types of exposures, please contact your Gallagher representative

Notes and Highlights:

1. Premiums for the above policies are due and payable as billed, in full or as insurance company installments. Premiums may be financed, subject to acceptance by an approved finance company. Note: Following acceptance, completion (and signature) of a premium finance agreement with the specified down payment is required.
2. Quote is valid until 04-30-15

City Of Coral Gables

Schedule of Locations & Values

EXPOSURE COMPARISON

	2014-2015	2015-2016	% Change
Expenditures	\$ 137,398,673	\$ 137,398,673	0%
# of Employees FT	800	801	0%
# of Employees PT	63	100	59%
# of Autos	596	596	0%
Payroll	\$ 59,936,146	\$ 59,936,146	0%
EMTs	15	15	0%
Paramedics	121	121	0%
Fire Fighters	0	0	0%
Armed Officers	190	191	1%
Population	47,885	48,000	0%
TIV	\$ 213,800,562	\$ 213,800,562	0%

	2014-2015	2015-2016	% Change
Building	\$ 156,405,846	\$ 156,649,253	0%
Contents	\$ 8,326,900	\$ 8,326,900	0%
Vehicles	\$ 16,231,261	\$ 16,231,261	0%
Golf Carts	\$ 488,214	\$ 488,214	0%
BI	\$ 5,285,000	\$ 5,285,000	0%
EDP	\$ 16,163,341	\$ 16,163,341	0%
EDP EE	\$ 2,000,000	\$ 2,000,000	0%
Account Receivable	\$ 7,400,000	\$ 7,400,000	0%
Fine Arts	\$ 1,000,000	\$ 1,000,000	0%
Valuable Papers	\$ 500,000	\$ 500,000	0%
Pump Stations		\$ 13,970,000	
Fountains		\$ 11,009,600	
Total	\$ 213,800,562	\$ 239,023,569	12%

of Autos does not include Off the Road Equipment