



Legislation Details (With Text)

File #: ID#18-4334 **Version:** 1 **Name:** Renewal of Excess Property Policies
Type: Action Item **Status:** Passed
File created: 2/9/2018 **In control:** Finance
On agenda: 3/15/2018 **Final action:** 3/15/2018
Title: Approve the purchase of Excess property insurance, including Bridges, Boiler and Machinery and Terrorism coverages, from April 1, 2018 through April 1, 2019, at the level of insurance provided for in this agenda item, at an amount not to exceed \$1,600,000; and approve locking in the property rate of \$0.2520 per \$100 of values through April 1, 2019 and authorize the appropriate officials to execute same. (consent)

Sponsors:

Indexes:

Code sections:

Attachments:

Date	Ver.	Action By	Action	Result
3/15/2018	1	City Council		
3/12/2018	1	Council Work Session		

SUBJECT/RECOMMENDATION:

Approve the purchase of Excess property insurance, including Bridges, Boiler and Machinery and Terrorism coverages, from April 1, 2018 through April 1, 2019, at the level of insurance provided for in this agenda item, at an amount not to exceed \$1,600,000; and approve locking in the property rate of \$0.2520 per \$100 of values through April 1, 2019 and authorize the appropriate officials to execute same. (consent)

SUMMARY:

The Risk Management Division of the Finance Department requested Arthur J. Gallagher and Co. to obtain quotes for the property insurance program expiring April 1, 2018. After a review of the quotes received, staff renewed the current coverage with American International Group, Inc. (AIG). Since the City is in the second year of a 3-year locked-in rate agreement, the City was able to avoid the 10 - 20% premium increases affecting this market. The current coverages are unchanged, which include \$100 million for Windstorm or Hail, \$60 million for Named Storm Coverage, \$60 million in flood insurance on an aggregate basis, along with \$100 million in Boiler and Machinery Coverage. The self-insured retention (SIR) would remain at \$100,000 per occurrence, with a 5% SIR for named storms up to the maximum deductible of \$5 million.

The City currently has a stand-alone policy through Zurich that it renewed last year to insure three city bridges: Sand Key Bridge, Mandalay Channel pedestrian bridge and the McMullen Booth pedestrian overpass. The bridge policy has a self-insured retention (SIR) of \$100,000 per occurrence, with a \$500,000 SIR for named storms, and provides an additional \$47 million of aggregate windstorm/flood/terrorism capacity that would otherwise be applied to the \$100 million limit for the City's property insurance program. The City is in the second year of this policy also with a locked in rate. The 3-year premium for the Zurich bridge is a total of \$164,994, with the 2nd installment due for \$55,024.

The renewal maintains the current coverage for "Terrorism - Property & Liability" coverage limits at \$25 million for property damage and \$10 million for liability. The program also provides Nuclear, Biological, Chemical & Radioactive Terrorism coverage with limits of \$3 million.

Total premiums for the second year are estimated to be \$1,565,355, which includes Terrorism Coverage. This represents an increase of 6% from last year's premium due to the 2% trending of our property values, an addition of the Sand Key docks, an upgrade in value to a Police substation, and the addition of a CRA building. Staff recommends adding a contingency bringing the second-year program cost to a not-to-exceed amount of \$1,600,000.

While the rate will remain the same in the program's third year, the total premium may increase due to property acquisition, new construction, replacement-value increases, etc. Our 3-year Property Rate is subject to certain contingencies including that the City's loss ratio remains less than 40%, have no material changes in exposures, and the carrier must not have any loss or material change of their treaty reinsurance to maintain the same rate for the 2019 renewal.

Risk Management believes the recommended coverages will continue to cover the City's property risks at levels and rates which represent a reasonable insurance program for the City.

APPROPRIATION CODE AND AMOUNT:

Funds are available in cost code 590-07590-545100, Insurance, to fund this contract.