

Memorandum



Date: July 29, 2013

To: Honorable Chairwoman Rebeca Sosa
and Members, Board of County Commissioners

From: Carlos A. Gimenez
Mayor 

Subject: Update on Annual Renewal of Master Property Insurance Program

Pursuant to Resolution R-1368-09, this serves as the Annual Renewal of Master Property Insurance Program report. Resolution R-1368-09 awarded Contract No. 684 to Arthur J. Gallagher Risk Management Services, Inc. as the broker to place the County's Master Property Insurance Program. This program provides property insurance coverage for all County properties, except Public Housing and Community Development (PHCD) and Water and Sewer properties, which are placed under separate programs due to different underwriting guidelines that are applicable to these properties. With respect to PHCD properties, the Board awarded a separate contract to Arthur J. Gallagher Risk Management Services, Inc. Information on that program is also provided further in this report.

Master Property Insurance Program

The County's Master Property Insurance Program was renewed for an additional year on April 15, 2013. The cost of the County's Master Property Insurance Program for the period from April 15, 2013 through April 15, 2014 is \$18,994,550. This figure includes annual policy premiums, annual assessments, loss prevention services and National Flood Insurance Program policies. Of that cost, \$14,585,138 is paid by proprietary agencies for their respective schedule of values with the balance of \$4,409,412 paid from the general fund. The property schedule (County's property inventory) is currently valued at \$12,793,016,668.

Staff negotiated a renewal program with the carriers to keep costs as level as possible while meeting the "reasonable" definition of the Stafford Act to be eligible for Federal Emergency Management Agency proceeds. Below is a comparison of the 2012 and 2013 costs, limits, and deductibles:

	<u>2012</u>	<u>2013</u>
Cost:	\$ 18,803,866	\$ 18,994,550
Limit:	\$ 335,000,000	\$ 335,000,000
Named Windstorm Deductible:	\$ 200,000,000	\$ 200,000,000
All Other Perils Deductible:	\$ 5,000,000	\$ 5,000,000

Coverage was bound with the same limits, terms and conditions as the expiring program.

Contract No. 684 contains two payment options for the \$350,000 annual broker fee: 1) The traditional payment option allows the County to pay the annual fee to the broker, or 2) The alternate payment option allows the broker to collect compensation directly from the carriers. The maximum broker compensation is capped at \$350,000 annually.

We are pleased to report that the broker was successful in collecting the entire fee directly from the carriers along with \$34,274 additional service funds that were used to pay for loss prevention services and plans reviews. In addition, our intermediaries, Risk Placement Services and Arthur J. Gallagher (UK), have jointly contributed \$25,000 of their revenue towards the County's loss prevention services. Total savings to the County this year are \$409,274.

PHCD Property Insurance Program

The Board approved Resolution No. R-221-10 awarding Contract No. 693 for the selection of Arthur J. Gallagher Risk Management Services, Inc. as the broker for PHCD's Property Insurance Program. The policy is effective July 1, 2013 for an annual term. The cost of the PHCD Property Program for the period of July 1, 2013 – July 1, 2014 is \$1,253,187 including the annual premium and assessments. National Flood Insurance policy premiums are anticipated to be \$150,000 for the year. The property schedule is currently valued at \$617,881,866. Contract No. 693 includes a \$35,000 annual fee to the broker.

Comparison of 2012 and 2013 programs:

	<u>2012</u>	<u>2013</u>
Cost:	\$ 1,279,274	\$ 1,253,187
All other Perils Limit	\$ 20,000,000	\$ 20,000,000
Named Windstorm Limit	\$ 5,000,000	\$ 5,000,000
Named Windstorm Deductible:	5% of the values per building at each location	
All Other Perils Deductible:	\$ 500,000	\$ 500,000

Should you have any questions, please contact Lester Sola, Director, Internal Services Department at (305) 375-2363.

- c: Edward Marquez, Deputy Mayor
- Russell Benford, Deputy Mayor
- Gregg Fortner, Director, Miami-Dade Public Housing Agency
- Jennifer Moon, Director, Office of Management and Budget
- Lester Sola, Director, Internal Services Department