

Commercial Property Insurance

City of Dallas
Finance, Audit, & Accountability
Committee
September 26, 2005

Purpose

- Brief Committee of commercial property insurance program for the City of Dallas
- Review Request-For-Proposal process
- Explain outcome of evaluations
- Recommend contract award for commercial property insurance

Background

- City of Dallas has property valued at over \$3 billion
- Prior to September 11, all of the City's property value was covered by insurance against loss
- Post 9/11 the City had difficulty in securing insurance for total value of property and now covers only a portion of total property value, although all facilities are under coverage

Recommended Coverage

- The \$1.5 billion coverage is based on protecting the City from a major downtown disaster:
 - Convention Center \$768m
 - Heliport \$ 33m
 - Central Library \$250m
 - City Hall & Garage \$222m
 - Reunion Arena \$121m
 - Jack Evans Police Headquarters \$ 63m
 - Jack Evans Garage \$ 0.8m
 - **Total** **\$1.47billion**

Request for Proposals

- RFP was issued 3/31/2005
- Proposals due 8/15/2005
- Evaluation Criteria:
 - Responsiveness to the RFCSP – 45%
 - Cost – 40%
 - Proposer and Insurer Qualifications – 10%
 - Services Rendered – 5%
- Evaluation of proposals was completed by Aon, which is the City of Dallas' broker of record
- Aon recommends City stay with Arthur J. Gallagher Risk Management Services Inc.
- Current coverage expires October 1, 2005

Deductibles

- Proposal requested deductibles of \$250k(current amount), \$500k, and \$1m
- Premiums discount for higher deductibles per occurrence:
 - \$500K Deductible reduces premium cost by \$127,601
 - One occurrence over \$377,601 would negate any savings
 - \$1M Deductible reduces premium cost by \$231,494
 - One occurrence over \$481,494 would negate any savings
- Recommendation to keep current deductible at \$250,000

Terrorism Insurance

- Federal program put in place after 9/11 to limit insurance companies' exposure due to terrorism
 - Federal program expires 12/31/05
- Most industry experts expect some form of Terrorism Risk Insurance Act (TRIA) coverage to be renewed
- Pricing includes \$200m of terrorism coverage

Recommended Vendor

- Arthur J. Gallagher is current City vendor
- Layers of coverage is from “A” rated carriers(list of AM Best financial strength ratings attached)
- Pricing is slightly higher than only other complete proposer
 - Arthur J. Gallagher \$2,610,321
 - McGriff, Seibels & Williams \$2,599,997
- Texas Municipal League risk pool is included as part of the layered coverage for Gallagher

Other Considerations

- Decision to award to Arthur J. Gallagher also due to a majority of layers of coverage being admitted carriers in the State of Texas
 - Five of eight companies are admitted
- Other proposers has only three of nine admitted companies
- Admitted companies are licensed and authorized to do business in State of Texas
 - Admitted companies are backed by a guaranty fund which ensures claims against insurance companies that fail are paid

Next Steps

- Recommend approval of September 28, 2005 agenda item #85
- Approve contract with vendor on September 28, 2005 City Council Agenda