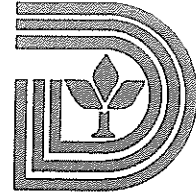


Memorandum



CITY OF DALLAS

DATE August 5, 2010

TO Members of the Budget, Finance & Audit Committee:
Jerry R. Allen, Chair, Ann Margolin, Vice-Chair, Vonciel Jones Hill,
Delia D. Jasso, Ron Natinsky, David A. Neumann

SUBJECT Commercial Property, Boiler & Machinery, Fine Arts, Crime and Aviation Insurance Policies


The August 25, 2010 Council Agenda will include an item to award a thirty-six month contract for insurance broker services to Wells Fargo Insurance Services in a not-to-exceed amount of \$7,400,000 for period 10/1/2010-2013.

Through a Request for Competitive Sealed Proposal (RFCSP) process, Wells Fargo Insurance Services was selected from among three other proposers to provide the City with insurance broker services, namely to:

- outline a property structure
- provide strategies and rationale for property program
- provide engineering inspections
- place the City's commercial property, boiler and machinery, fine arts, crime and aviation insurance policies.

The recommended insurance policies have the same limits, coverage and deductibles as the expiring policies; however there is an increase in the insured values from \$3.4 billion to \$4.1 billion. The rate per \$100 of insured value decreases by 16% with the recommended property insurance policy. There are also decreases in the premiums for the other policies included in the contract. Overall, there are savings of \$8,082 when comparing the FY09-10 premiums to the premiums for FY10-11.

Attached for your review is a comparison of FY09-10 and proposed FY10-11 annual premium and coverage


Mary K. Sulm
City Manager

Attachment

C: Honorable Mayor & Members of the City Council
Deborah A. Watkins, City Secretary
Tom P. Perkins, City Attorney
Craig D. Kinton, City Auditor
Ryan S. Evans, First Assistant City Manager
A. C. Gonzalez, Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Forest E. Turner, Assistant City Manager
Jeanne Chipperfield, Chief Financial Officer

Comparison of Annual Policies

	CURRENT POLICY	PROPOSED POLICY
Agent	Wells Fargo Insurance Services, USA	Wells Fargo Insurance Services, USA
Property		
Total Insured Values	\$ 3,418,377,544	\$ 4,100,000,000
Loss Limit	\$ 1,500,000,000	\$ 1,500,000,000
Deductible	\$ 1,000,000	\$ 1,000,000
Flood Exception	5%/Minimum \$1M for structures in Special Flood Hazard Zones	5%/Minimum \$1M for structures in Special Flood Hazard Zones
Earthquake Exception	\$ 1,000,000	\$ 1,000,000
Insurer	Lexington/TML	Lexington/TML
Premium(annual)	\$1,588,272	\$1,603,100
Rate	0.0465	0.0391
Terrorism(optional)	\$47,610	\$48,093
Taxes/Fees	\$80,260	\$81,074
Guarantee	Rate Guarantee for 3 yrs	Rate guarantee for 3 yrs subject to a 40%-50% Incurred Loss Ratio
Policy Term	10/01/2007-2010	10/01/2010-13
Loss Control	\$75,000	\$75,000
Terms/Conditions		
Flood Limit	\$50MM Limit except \$15MM for structures in Special Flood Hazard Areas	\$50MM Limit except \$15MM for structures in Special Flood Hazard Areas
Earthquake Limit	\$50,000,000	\$50,000,000
Business Interruption/Extra Expense Limit	\$70,600,000 included in TIV	\$70,600,000 included in TIV
Newly Acquired/Constructed Limit	\$50MM/90 days reporting	\$50MM/90 days reporting
Terrorism(optional) Limit	\$ 250,000,000	\$ 250,000,000
Machinery & Equipment	Included	Included
Deductible	\$ 100,000	\$ 100,000
Sublimit Expediting Expense/Haz Substances/Spoilage	\$ 5,000,000	\$ 5,000,000
EDP Including Media	\$ 5,000,000	\$ 5,000,000
Replacement Cost/Agreed Amount	Yes	Yes
Total		
Premium Total	\$1,716,142	\$1,732,267

Comparison of Annual Policies

	CURRENT POLICY (FY 09-10)		PROPOSED POLICY (FY 10-11)	
Agent	Wells Fargo Insurance Services, USA		Wells Fargo Insurance Services, USA	
Fine Arts				
Total Insured Values	\$	41,668,294	\$	41,668,294
Deductible	\$	10,000	\$	10,000
Exception for Outdoor Vandalism	\$	25,000	\$	25,000
Insurer	ACE American		ACE American	
Premium(annual)		\$33,845		\$20,470
Terrorism(optional)-@ \$25M Limit		NA		\$1,550
Full limit		NA		\$1,683
Policy Term	10/01/2009-10		10/01/2010-11	
Aviation				
Limit		\$1,000,000		\$1,000,000
Premium(annual)		\$106,962		\$96,656
Insurer	Chartis		Chartis	
Includes Hull Physical Damage/Liability and War Risk		Yes		Yes
Crime				
Limits				
Forgery/Alteration-Ded. \$25,000	\$	500,000	\$	500,000
Money/Securities on Premise-Ded. \$10,000	\$	1,500,000	\$	1,500,000
Money/Securities Messenger-Ded. \$10,000	\$	1,500,000	\$	1,500,000
Computer Fraud-Ded.\$25,000	\$	500,000	\$	500,000
Public Employee Dishonesty-Ded.\$100,000	\$	2,000,000	\$	2,000,000
Premium(annual)		\$29,636		\$27,427
Alternate Limit of \$2MM		NA		
Terrorism		Incl.		Incl.
Insurer	Travelers		Travelers	
Totals				
Ancillary Premium(annual)	\$	170,443	\$	146,236
Property Premiums	\$	1,716,142.00	\$	1,732,267.00
Total Premium for All Coverages	\$	1,886,585	\$	1,878,503
Broker Fee/Commission	\$	110,000	\$	110,000
Loss Control/Engineering Surveys	\$	75,000	\$	75,000
Total Annual Charges	\$	2,071,585	\$	2,063,503

3-yr premium estimate (\$7,400,000)

-based on increase in values (projected renovation and construction projects)

-10% increase ancillary coverage