

Memorandum



DATE September 3, 2013

TO Members of the Budget, Finance & Audit Committee: Jerry R. Allen (Chair),
Jennifer S. Gates (Vice Chair), Tennell Atkins, Sheffie Kadane, Philip T. Kingston

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

The September 11, 2013 Council Agenda will include an item to award a thirty-six month contract for insurance broker services to Wells Fargo Insurance Services USA, Inc. in a not-to-exceed amount of \$5,732,618 for period 10/1/2013-9/30/2016.

Wells Fargo Insurance Services was awarded the expiring contract for period 10/1/-2010-9/30/2013 in a not-to-exceed amount of \$7,400,000.

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 commercial property (includes boiler & machinery), fine arts, crime, and aviation insurance policies

The recommended insurance policies have the same limits, coverage, and deductible as the expiring policies and despite the increase in property values, over FY12-13, a 3.24% cost savings is anticipated.

Attached for your review is a comparison of current and proposed annual premium and coverage.

Jeanne Chipperfield
Chief Financial Officer

Attachment

c: Honorable Mayor and Members of the City Council
A.C. Gonzalez, Interim City Manager
Rosa A. Rios, City Secretary
Thomas P. Perkins, Jr., City Attorney
Daniel F. Solis, Administrative Judge
Craig D. Kinton, City Auditor
Ryan S. Evans, Interim First Assistant City Manager

Jill A. Jordan, P.E., Assistant City Manager
Forest E. Turner, Assistant City Manager
Joey Zapata, Assistant City Manager
Charles M. Cato, Interim Assistant City Manager
Theresa O'Donnell, Interim Assistant City Manager
Frank Libro, Public Information Officer
Elsa Cantu, Assistant to the City Manager

**Comparison of Expiring and Renewal
Commercial Property, Boiler & Machinery, Fine Arts, Crime and Aviation Insurance Policies**

	CURRENT POLICY (2012/2013)	PROPOSED POLICY (2013/2014)
Agent	Wells Fargo Insurance Services USA	Wells Fargo Insurance Services USA
Property		
Policy Term	10/01/12 - 09/30/13	10/01/13 - 09/30/14
Insurer	Lexington/TML	AIG/Lexington
Deductible	\$1MM per occurrence	\$1MM per occurrence
Flood Deductible	5% of Total Insurable Values (TIV) subject to \$1MM minimum	5% of Total Insurable Values(TIV) subject to \$1MM minimum
Rate (per \$100 of TIV)	0.0430	0.0383
Rate Guarantee	Rate guarantee for 3 yrs subject to a 40%-50% Incurred Loss Ratio	Rate guarantee for 3 years subject to a 40-99% Incurred Loss Ratio (LR) Year 1: LR is of 0% - 39%, current rate is guaranteed for Year 2; LR of 40% - 99%, maximum rate increase of 10% for Year 2; LR 100% or greater, maximum increase is 18% Years 1 & 2 (24 months): Combined LR of 0% - 49%, current rate is guaranteed for Year 3; Combined LR of 50% - 99%, maximum rate increase of 10% for Year 3; Combined LR 100% or greater, maximum increase is 18%
Loss Limit	\$1,500,000,000	\$1,500,000,000
Total Insured Values (TIV)	\$3,368,412,620	\$3,545,655,856
Premium (annual)	\$1,448,754	\$1,357,986
Terrorism	\$43,463	\$40,740
Taxes	\$73,268	\$68,678
Engineering Services	Included in premium	\$56,000
Combined Premium	\$1,565,485	\$1,523,404
*Alternate Deductible of \$500K	\$225,000 Additional Premium	\$150,000 Additional Premium
Property Loss Control		
Annual Cost	\$75,000	\$75,000
Aviation		
Premium (annual)	\$56,168	\$49,759
Crime		
Premium (annual)	\$26,500	\$14,922
Fine Arts		
Premium (annual)	\$22,359	\$22,359
Broker Fee/Commission		
	\$110,000	\$110,000
TOTAL COMBINED PREMIUM (includes Broker Fee)	\$1,855,512	\$1,795,444

*Insurable Values are annually updated and resubmitted for each renewal

*Current policy premium is \$337 more than rate x per \$100 of TIV

*Alternate Deductible - Choosing a \$500K deductible will result in additional premium

*Loss Ratio - Total Loss paid by Insurer divided by premium paid by Insured

*Total estimated 3-year cost: \$5,732,618

(allows for potential increase in insured values)