

BOARD OF COUNTY COMMISSIONERS

AGENDA ITEM SUMMARY

Meeting Date: April 16, 2008

Division: Employee Services

Bulk Item: Yes X No

Department: Risk Management

Staff Contact Person: Maria L. SlavikX3178

AGENDA ITEM WORDING: Approval to accept bid proposal from Marsh USA for Property Insurance package through Lexington Insurance Company and Landmark American Insurance Company.

ITEM BACKGROUND: Provides replacement cost property insurance coverage for county buildings, contents, communication towers and contractors equipment with a current value of \$172,729,696.

PREVIOUS REVELANT BOCC ACTION: On April 18, 2007, the BOCC approved the last renewal of the policy which was bid in 2004.

CONTRACT/AGREEMENT CHANGES: The proposed premium for Lexington and Landmark's renewal policies is \$448,540.92. This represents a reduction of \$128,766.92 (22%) when compared to the premium the County paid for the 2007/08 policy term.

STAFF RECOMMENDATIONS: Approval to accept Lexington and Landmark's proposal as submitted by Marsh USA for its 2008/09 Property Insurance program.

TOTAL COST: \$448,540.92 **BUDGETED:** Yes X No

COST TO COUNTY: \$448,540.92 **SOURCE OF FUNDS:** Ad valorum

REVENUE PRODUCING: Yes No X **AMOUNT PER MONTH** **Year**

APPROVED BY: County Atty CLH OMB/Purchasing Risk Management MS

DOCUMENTATION: Included X To Follow Not Required

DISPOSITION:

AGENDA ITEM #

MONROE COUNTY BOARD OF COUNTY COMMISSIONERS

CONTRACT SUMMARY			
Contract with: <u>Marsh USA, Inc.</u>	Contract # _____	Effective Date: <u>5/1/08</u>	
		Expiration Date: <u>5/1/09</u>	
Contract Purpose/Description: <u>Property Insurance Renewal</u>			
Contract Manager: <u>Maria Slavik</u>	<u>3178</u>	<u>Employee Services #1</u>	
(Name)	(Ext.)	(Department/Stop #)	
for BOCC meeting on <u>4-16-08</u>		Agenda Deadline: <u>4-1-2008</u>	

CONTRACT COSTS	
Total Dollar Value of Contract: \$ <u>448,540.92</u>	Current Year Portion: \$ _____
Budgeted? Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	Account Codes: <u>503-08502-530-450-</u>
Grant: \$ _____	_____ - _____ - _____ - _____
County Match: \$ _____	_____ - _____ - _____ - _____
	_____ - _____ - _____ - _____
ADDITIONAL COSTS	
Estimated Ongoing Costs: \$ _____/yr	For: _____
(Not included in dollar value above)	(eg. maintenance, utilities, janitorial, salaries, etc.)

CONTRACT REVIEW				
	Date In	Changes Needed	Reviewer	Date Out
Division Director	<u>3/25/08</u>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	<u>[Signature]</u>	<u>3-25-08</u>
Risk Management	<u>3-25-08</u>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	<u>[Signature]</u>	<u>3-25-08</u>
^{PLU} O.M.B./Purchasing	<u>3/31/08</u>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	<u>[Signature]</u>	<u>3/31/08</u>
County Attorney	<u>3-26-08</u>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	<u>[Signature]</u>	<u>3-28-08</u>
Comments: _____				




BOARD OF COUNTY COMMISSIONERS
Mayor Charles "Sonny" McCoy, District 3
Mayor Pro Tem Mario Di Gennaro, District 4
Dixie M. Spehar, District 1
George Neugent, District 2
Sylvia J. Murphy, District 5

Office of the Employee Services Division Director
The Historic Gato Cigar Factory
1100 Simonton Street, Suite 268
Key West, FL 33040
(305) 292-4458 - Phone
(305) 292-4564 - Fax



TO: Board of County Commissioners

FROM: Teresa E. Aguiar,
Employee Services Director 

DATE: March 24, 2008

SUBJ: Approval to renew Property Insurance Policies

This item requests approval to pay the \$448,540.92 Property Insurance renewal fee (which is a decrease of 22% from last year). Lexington and Landmark Companies currently provide the County's Property Insurance and this renewal maintains the same level of protection, terms and conditions. The policies cover the total value of the County's property which is estimated at \$172,729,696.00. The coverage is for buildings, content, contractor's equipment, electronic data processing equipment and the communication towers.

A total of six (6) different agents submitted requests for a total of twenty-nine (29) different insurers. Of the six agents, only two submitted formal proposals. Most of the other four (4) agents advised that they were unable to structure a competitive proposal. A detailed analysis of the proposals from the county's consultant is attached.

It is the recommendation to approve the renewal of the policies with Lexington and Landmark for the period of 5/1/08 – 5/1/09 for the total amount of \$448,540.92.

INTERISK CORPORATION

Consultants

Risk Management
Employee Benefits

1111 North Westshore Boulevard
Suite 208
Tampa, FL 33607-4711
Phone (813) 287-1040
Facsimile (813) 287-1041

March 18, 2008

Ms. Maria Slavik
Risk Management Specialist
Monroe County
1100 Simonton St.
Suite 268
Key West, Florida 33040

Subject: Evaluation of Proposals for the County's Property Insurance

Dear Maria:

The County's current Property insurance is provided by Lexington Insurance Company and Landmark American Insurance Company with overall limits of \$172,417,795. The program contains various sub-limits with the more notable ones being:

Boiler and Machinery	\$5 million
Wind	\$5 million
Flood	\$5 million

The program also includes Builders Risk insurance on three locations currently under construction to include:

Location	Amount of Insurance
Freeman Justice Building	\$10 million
Nelson Governmental Center	\$8 million
Key West International Airport	\$30 million

Damage to buildings and contents would be subject to a deductible of \$50,000 unless the loss was a result of windstorm or a flood. Windstorm losses would be subject to a \$1 million per occurrence/per location deductible and flood losses would be subject to a deductible of 5 percent (5%) of the total value of the location damaged. Losses to Electronic Data Processing Equipment (EDP), Communication Towers and Equipment and Contractor's Equipment would be subject to a \$5,000 deductible for all losses except that a \$50,000 deductible would apply to all wind related losses. Both Lexington and Landmark enjoy a favorable rating from the A.M. Best Company, the leading evaluator of insurance company operations. The terms and conditions of the policies are comparable and in many cases superior to those of other Property policies providing coverage for locations located in Florida. The annual premium for the 2007/08 policy was \$577,307.84.

In compliance with the County's purchasing procedures, a Request for Proposals (RFP) was prepared and distributed through Demand Star. In an effort to control the process and ensure all interested agents had unrestricted access to the insurance market place, insurance companies were assigned based on the

individual agent's preferences. A total of six (6) different agents submitted requests for a total of twenty-nine (29) different insurers. It is believed that the insurers requested represents the majority, if not all, of the insurers with the capability and desire to provide the insurance being sought by the County.

Of the six agents requesting the assignment of insurers, only Arthur J. Gallagher and Marsh USA (the incumbent agent) submitted formal proposals. Most of the remaining four (4) agents advised that they were unable to structure a competitive proposal that would be comparable to the expiring policies. A side-by-side comparison of the proposals submitted by Gallagher and Marsh has been prepared and included as part of this report. The proposals submitted by the two agents will be discussed under separate caption.

Arthur J. Gallagher

Arthur J. Gallagher submitted two separate proposals. The first utilized Westchester Insurance Company but only contained overall limits of \$5 million. The proposed premium for the Westchester policy was \$545,000 and contained terms and conditions that were less favorable than those of the expiring policy and those of other proposals that were received. Gallagher did indicate that they believed Lloyds of London would provide an additional \$95 million of coverage for an estimated premium of \$87,500. Since this option proposed by Gallagher only would provide limited coverage and the committed premium of \$545,000 was in excess of other acceptable proposals, only a limited review of this proposal was performed. It is recommended that this option be eliminated from further consideration.

Gallagher also submitted a proposal from Lloyds of London and Lantana Insurance Companies with the desired limits of \$172,626,436. Both Lloyds and Lantana enjoy a favorable rating from the A.M. Best and Company. While many of the terms and conditions of the Lloyds and Lantana proposal were consistent with the expiring program, there were some notable differences.

- 1) The proposal did not include any Boiler and Machinery coverage. Currently, the County purchases \$5 million of Boiler and Machinery insurance. It is believed that this coverage has significant value to the County.
- 2) The proposal was silent on the issue of Law & Ordinance coverage. This coverage is designed to pay the incremental cost associated with higher construction costs directly resulting from more stringent building codes. Currently the County has \$5 million of Law & Ordinance coverage.
- 3) Lloyds and Lantana were unwilling to provide Builders Risk Insurance for the Freeman Justice Building, the Nelson Governmental Center and the Key West International Airport. Builders Risk Insurance provides coverage similar to a standard Property policy but the rates are normally considerably higher because of the increased exposure to loss and damage while construction activities are underway. It would be extremely difficult, if not impossible, for the County to secure affordable Builders Risk Insurance for these locations since all of the construction projects are well underway.
- 4) All losses to EDP equipment, communication towers and equipment, and contractor's equipment would be subject to a \$50,000 deductible as compared to the current \$5,000 deductible. As will be discussed later, Marsh submitted a proposal that would retain the \$5,000 deductible for these items.
- 5) Claims involving communication towers and contractors equipment will be settled on an "Actual Cash Value" basis as compared to the more favorable "Replacement Cost" basis that is currently provided.

The combined premium of the Lloyds and Lantana policies, as submitted by Gallagher was \$734,750. Lloyds and Lantana also offered an option for the County to increase its Wind limits to \$10 million for an additional premium of \$126,250 (total premium would be \$861,000).

Since the combined premiums of the Lloyds and Lantana policies was significantly higher than the proposal received from Marsh and the terms and conditions were not as favorable, it is recommended that the Lloyds and Lantana program as submitted by Arthur J. Gallagher be eliminated from further consideration.

Marsh USA

Marsh submitted a renewal proposal from Lexington and Landmark with terms and conditions consistent with the expiring program. The insurers agreed to continue the Builders Risk insurance on the Freeman Justice Building, Nelson Governmental Center and the Key West International Airport until the projects are completed. The proposed premium for Lexington and Landmark's renewal policies was \$448,540.92. This represents a reduction of \$128,766.92 (22%) when compared to the premium the County paid for the 2007/08 policy term.

The proposal also included an option for the County to increase the level of Windstorm protection to \$10 million for an additional cost of \$201,080.90 or a total premium of \$649,621.82. If this option is selected, the windstorm deductible would remain at \$1 million per occurrence/per location. The County's Property Schedule that has been submitted to the insurers list a total of 63 different locations with only 23 of them having a total value in excess of \$1 million. It is believed that the additional premium Lexington and Landmark is wanting for this increased wind protection is not justified and it is recommended that the County not purchase this option.

It is believed that Marsh has submitted an attractive renewal proposal from Lexington and Landmark. Not only will the County maintain the level of protection it previously has purchased, the cost of such protection was significantly reduced. It is therefore recommended that Monroe County accept Lexington and Landmark's proposal as submitted by Marsh USA for its 2008/09 Property Insurance program.

Please give me a call if you have any questions or wish to discuss this issue in more detail.

Cordially,

INTERISK CORPORATION



Sidney G. Webber
CPCU, ARM

CC: Teresa Aguiar

**MONROE COUNTY, FLORIDA
EVALUATION OF PROPOSALS
SUBMITTED IN RESPONSE TO
RFP-PER-72-338-2008-PUR/CV**

2008/09 Property Insurance Program

	Current Program (Marsh USA)	Marsh USA	Arthur J. Gallagher	Arthur J. Gallagher
Insurers	Lexington Insurance Co. Landmark American Insurance Co.	Lexington Insurance Co. Landmark American Insurance Co.	Lloyds of London Lantana Ins. Ltd.	Gallagher also submitted a proposal from Westchester for primary limits of \$5 Million at a premium of \$545,000. Gallagher also advised that they had an indication from Lloyds that they could provide an additional \$95 million in excess of Westchester's coverage for a premium of \$87,500. Since Gallagher only had limits of \$5 million that could be bound and the terms and conditions were less favorable than those proposed by Marsh, it was not considered in the evaluation process.
AM Best Rating	Lexington - A+ Landmark - A	Lexington - A+ Landmark - A	Lloyds - A Lantana - A-	
Limits				
Per Occurrence	\$172,417,795	\$172,729,696	\$172,626,436	
Boiler & Machinery	\$5,000,000	\$5,000,000	None	
Flood	\$5,000,000	\$5,000,000	\$5,000,000	
Wind	\$5,000,000	\$5,000,000	\$5,000,000	
Law & Ordinance	\$5,000,000	\$5,000,000	Unknown	
Unscheduled Builders Risk	\$2,500,000	\$2,500,000	None	
Builders Risk Limits for Scheduled Locations				
Freeman Justice Building	\$10,000,000	\$10,000,000	None	
Nelson Govt. Center	\$8,000,000	\$8,000,000	None	
Key West International Airport	\$30,000,000	\$30,000,000	None	
Deductibles				
Buildings & Contents	\$50,000	\$50,000	\$50,000	
EDP	\$5,000 except \$50,000 for named windstorm	\$5,000 except \$50,000 for named windstorm	\$50,000	

**MONROE COUNTY, FLORIDA
EVALUATION OF PROPOSALS
SUBMITTED IN RESPONSE TO
RFP-PER-72-338-2008-PUR/CV**

2008/09 Property Insurance Program

	Current Program (Marsh USA)	Marsh USA	Arthur J. Gallagher (Lloyds/Lantana)
Towers	\$5,000 except \$50,000 for named windstorm	\$5,000 except \$50,000 for named windstorm	\$50,000 except 10% of insurable values for wind
Contractor's Equipment	\$5,000 except \$50,000 for named windstorm	\$5,000 except \$50,000 for named windstorm	\$50,000 except 10% of insurable values for wind
Windstorm	\$1,000,000 per Occurrence, per Location	\$1,000,000 per Occurrence, per Location	\$1,000,000 per Occurrence, per Location
Flood	5% of values of location involved subject to \$1,000,000 minimum	5% of values of location involved subject to \$1,000,000 minimum	\$1,000,000 per Occurrence, per Location
Boiler and Machinery	\$5,000	\$5,000	
Cause of Loss Form	All Risk	All Risk	All Risk
Settlement Basis			
Buildings & Contents	Replacement Cost	Replacement Cost	Replacement Cost
EDP	Replacement Cost	Replacement Cost	Replacement Cost
Towers	Replacement Cost	Replacement Cost	Actual Cash Value
Contractor's Equipment	Replacement Cost	Replacement Cost	Actual Cash Value
Agreed Amount	Yes	Yes	No
Blanket Limits	Yes	Yes	No
Premium	\$577,307.84	\$448,540.92	\$734,750
Comments		The proposal included an option to increase the Wind limits to \$10 million for an additional premium of \$201,080.92. Total premium would be \$649,621.82	The proposal included an option to increase the Wind limits to \$10 million for an additional premium of \$126,250. Total premium would be \$861,000