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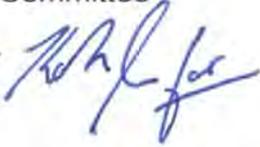
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# MIAMI BEACH

City of Miami Beach, 1700 Convention Center Drive, Miami Beach, FL 33139, www.miamibeachfl.gov

## COMMITTEE MEMORANDUM

TO: Finance and City Wide Projects Committee

FROM: Jimmy L. Morales, City Manager 

DATE: April 8, 2015

SUBJECT: **Discussion Regarding A Resolution Approving The Purchase Of Flood Insurance, All-Risk Property Insurance, Including Windstorm, Boiler & Machinery Insurance For City Buildings And Contents (Including New Construction); And Fine Arts Insurance (Bass Museum), As Proposed By Arthur J. Gallagher Risk Management Services, Inc., The City's Broker Of Record**

### Background

Over the last two years, the City has been updating its property insurance program to better reflect our risk, as well as to comply with State of Florida suggestions for preserving our eligibility for FEMA relief under the Stafford Act, in the event of a hurricane. This includes adding properties that were previously self insured, as well as increasing insurance limits where it is reasonable, and within the City's budget.

In order to receive FEMA funding, the City is required to present its property insurance program every year to the State of Florida, Office of Insurance Regulation (via the FL Division of Emergency Management), to obtain a "reasonableness" letter. The City received this letter for the June 2013 policy year. At the same time and under separate cover, the State advised the City to consider purchasing additional windstorm limits for the June 2014 policy year), although the State did not recommend a specific amount.

As to the actual amount of insurance coverage the City should carry, the prudent recommendation is that the City continue with its risk management strategy which consists of preserving its ability to obtain relief from the FEMA, under the Stafford Act, and possibly from the State of Florida, in the event of a Federally-declared disaster, and purchasing Named Windstorm insurance coverage. This recommendation translates into determining how much money the City needs to be able to access immediately, in addition to the working capital in place, to respond and recover from a tropical storm or hurricane. The Risk Management Division will work with the Emergency Management Department to determine appropriate levels of funds needed for immediate reconstruction of facilities critical to continuity of operations, in addition to working capital needed to respond and recover from a tropical storm or hurricane.

Based on the State's recommendation to increase the City's Named Windstorm coverage, the Administration recommended at the June 20, 2014, Finance and Citywide Projects Committee (FCWPC) meeting to increase coverage by \$5 million to \$25 million over the next 2-3 years, assuming the limits continue to be available and reasonable. (See Attachment 1 – FCWPC Memo – June 20, 2014) The FCWPC Committee recommended the first increase of \$5 million up to \$15 million for the June 2014 – May 2015 policy year, looking to reach the target of \$25 million. At the August 13, 2014, budget briefing, the FCWPC recommended holding off on

additional increases pending the state department's response to the increase to \$15 million coverage in 2014 and to instead include the additional premium in the Risk Management Fund - Contingency. (See Attachment 2 – FCWPC Memo – August 13, 2014).

**For the June 1, 2015 – May 31, 2016 policy year:**

The State has once again recommended that the City consider purchase additional windstorm limits (Attachments 3 & 4). We are recommending the purchase of the additional \$5 million of named windstorm coverage (for a total of \$20,000,000 windstorm limit) for the June 2015 - 2016 policy year, which is additional premium estimated at \$368,000.

**Additional Changes to the Property Program since August 13, 2014 FCWPC Meeting**

In 2014, prior to the City's parking garages being appraised, the City added these locations to its statement of values, using estimated values. Coverage for these garages was accepted by the City's primary insurer, however, this was subject to our providing the square footage of each garages as soon as it was known. As we have now had the garages appraised, we know the square footage, as well as the insurable values, and we have reported this information to our insurers.

During the June 2014-15 policy period, the following property insurance changes have occurred:

- \$13,748,844 in values was added mid-term due to the acquisition of several residential properties. These values were accepted by the insurance companies at no additional cost to the City.
- The City is adding \$2,800,000 in values for Fire Station #2 Administration Building. This building was formerly vacant, but is now in use and must be insured. The value we are using is preliminary, as this building is scheduled to be appraised later this year. The addition of this building was expected to generate an additional premium of approximately \$1,500; however this amount is being waived (see below).
- As indicated above, the City will now be reporting the square footage and appraised values for the parking garages. This has added an additional \$50,022,123 in insured values, and this was expected to generate an additional premium of approximately \$98,500 on the primary property program, however this amount is being waived (see below)

Due to the City's long term relationship with our insurer, and through the work of our broker, we are happy to report that our primary insurer has agreed to waive this \$100,000 in premium. Instead, we are requesting approximately \$10,000 to cover the cost of the City's excess property and Boiler & Machinery insurance.

Additional funding of approximately \$10,000 may become due for the June 2014-15 policy period to cover premium to the Boiler & Machinery carriers, and the Excess Property carriers. Part of this premium is generated from the Parking Department.

These changes are expected to generate a total cost (premium and surcharges) not to exceed \$2,370,000 (approximately \$488,000 of this amount is allocable to the parking department garages). The total amount needed for 2015 is estimated not to exceed: \$2,798,000 (includes Boiler & Machinery, NFIP Flood, and Fine Arts insurance).

<b>Property Insurance (including Flood, Boiler &amp; Machinery, and Fine Arts)</b>					
	<b>Policy Year 6/1/2013 to 6/1/2014</b>	<b>Policy Year 6/1/2014 to 6/1/2015</b>	<b>Interim 6/1/2014 to 6/1/2015</b>	<b>Projected 6/1/2015 to 6/1/2016</b>	<b>Comments</b>
<b>Total Insured Value (TIV)</b>	\$685,247,222	\$853,146,331	Additional \$66,570,967	\$936,855,291	Increase in values due to recent property appraisal valuation, and newly acquired properties
<b>Windstorm Limit</b>	\$ 10,000,000	\$ 15,000,000	\$15,000,000 unchanged	\$ 20,000,000	State recommended the City to purchase additional windstorm coverage
<b>All Other Perils Limit (AOP)</b>	\$200,000,000	\$350,000,000	\$350,000,000 unchanged	\$350,000,000 unchanged	No expected change to the AOP limit
<b>Property Ins. Premium</b>	\$ 1,472,609	\$ 1,919,389	\$10,000	\$2,002,000	Increase in premium due to recent property appraisal valuation, and newly acquired properties
<b>Additional \$5MM Windstorm Premium</b>	N/A	\$ 332,483	N/A	\$ 368,000	Premium for \$5 Million Windstorm Limit increase
<b>Flood Policies - Premium</b>	\$ 314,742	\$ 360,000	N/A	\$ 378,000	Anticipated 5% rate increase from the NFIP, and additional policies for newly acquired properties
<b>Fine Arts Policy Premium</b>	\$ 44,005	\$ 42,374	N/A	\$ 50,000	Anticipate no change in values, and flat rate renewal
<b>Total Premium</b>	\$1,837,351	\$2,321,763	\$10,000	\$2,798,000	Premium includes Property, Boiler & Machinery, NFIP Flood & Fine Arts.

	Policy Year 6/1/2013 to 6/1/2014	Policy Year 6/1/2014 to 6/1/2015	Interim 6/1/2014 to 6/1/2015	Projected 6/1/2015 to 6/1/2016	Comments
Risk Mgmt. and Parking Dept. Budget FY2014/15				\$2,620,000*	*The Parking Dept. has \$310,000 budgeted for FY2014/15; a budget transfer will be requested to cover the \$488,000 projected garage premium

**Note:** The above cost projections are not confirmed by any insurers, and are for discussion purposes only. Our broker is in the process of marketing our insurance, and will have more concrete figures as we approach our renewal date of June 1, 2015.

The other property coverage that will renew June 1<sup>st</sup> is the Fine Arts coverage. The City has historically insured art that is displayed in various locations throughout the City. Underwriters at Lloyd's continue to offer a very favorable program at a flat rate renewal, approximately \$50,000. Additionally, the City has earned no-claims bonuses over the past several years.

**Recommendation**

Based on the response that the City has received from the State of Florida, and in recognition of the recommendation made by the Finance Committee in August 2014, the Administration is recommending an increase in the named windstorm insurance limit of \$5 million to obtain a total of \$20 million in named windstorm coverage at an estimated additional premium of \$368,000, which is included in the FY2014/15 budget.

Attachments

JLM/KGB/SC-T

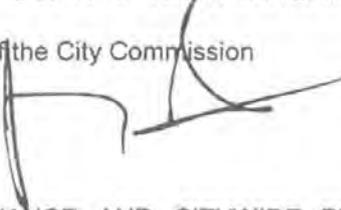


# MIAMIBEACH

City of Miami Beach, 1700 Convention Center Drive, Miami Beach, Florida 33139, [www.miamibeachfl.gov](http://www.miamibeachfl.gov)

## COMMITTEE MEMORANDUM

TO: Mayor Philip Levine and Members of the City Commission

FROM: Jimmy L. Morales, City Manager 

DATE: July 23, 2014

SUBJECT: REPORT OF THE SPECIAL FINANCE AND CITYWIDE PROJECTS  
COMMITTEE MEETING ON JUNE 20, 2014

The agenda is as follows:

### OLD BUSINESS

1. Discussion regarding bicycle safety campaign with the Miami Beach police department, Decobike and local bicycle rental companies

### ACTION

The Committee recommended that staff work with FDOT to organize events and practical workshops that focus on providing bike safety information. The Committee also directed Staff to bring the cost breakdown to July budget meeting for the funds that will be needed to implement these programs.

### NEW BUSINESS

2. Discussion regarding whether or not to pursue food and beverage concessions for Soundscape Park, Collins Park, and the Miami Beach Botanical Garden

### ACTION

The Committee recommended pursuing food and beverage concessions through the pop up concept or food trucks for Soundscape Park, Collins Park and the Miami Beach Botanical Garden.

3. Discussion regarding Parking – Strategic Pricing

### ACTION

Item Deferred to July Budget Meeting.

4. Discussion on Upgrading the City's Enterprise Resource Planning (ERP) System

ACTION

The Committee recommended moving forward with endorsing the transition from Eden ERP to Munis ERP, implementing EnerGov for permitting and licensing and engaging EMA to assist the City with a review of its business processes, as well as provide implementation services (project management) throughout the project implementation to be brought before the July 23, 2014 Commission Meeting.

5. Discussion on A Resolution Approving The Purchase Of Flood Insurance, All-Risk Property Insurance, Including Windstorm, Boiler & Machinery Insurance For City Buildings And Contents (Including New Construction); And Fine Arts Insurance (Bass Museum), As Proposed By Arthur J. Gallagher Risk Management Services, Inc., The City's Broker Of Record

ACTION

The Committee recommended that based on the State's recommendation to increase named windstorm coverage and the increasing value of our properties, the City should increase its current named windstorm coverage to \$15 million for the upcoming year and going forward, look into reaching the target coverage of \$25 million over the next 2 to 3 years.

6. Discussion on whether or not to reconstitute the Nightlife Industry Taskforce

ACTION

The Committee provided administration direction to do a series of open forum workshops to engage those individuals that are interested in providing real input and discussion of the nightlife industry taskforce. The Committee decided to allow the Nightlife Industry taskforce to sunset without action.

7. Discussion on Use of the Byron Carlyle Theater

ACTION

The Committee recommended that staff bring back options for the use of the space at the Byron Carlyle Theater to Budget Meetings.

# MIAMI BEACH

City of Miami Beach, 1700 Convention Center Drive, Miami Beach, FL 33139, www.miamibeachfl.gov

## COMMITTEE MEMORANDUM

TO: Finance and City Wide Projects Committee  
FROM: Jimmy L. Morales, City Manager  
DATE: June 20, 2014  
SUBJECT: **Proposed Action Plan for Named Windstorm Insurance Limits**

### Background

The City's property schedule (\$853 million) represents a 100% coastal exposure with no inland spread of risk. The fact that the City of Miami Beach sits on a barrier island and is concentrated within a seven square mile area means the City will be significantly impacted if a hurricane hits in this area. This creates a challenge for the City in purchasing windstorm coverage, and for insurers who need to manage their aggregates in windstorm-prone areas.

The City of Miami Beach purchases Named Windstorm coverage to help recover from a tropical storm or hurricane related damages. The amount has been partially based on the cost of coverage (which fluctuates in hard and soft markets) and budgetary limitations. In the past ten years, the amount of Named Windstorm coverage purchased has ranged from \$10 to \$25 million, in excess of applicable deductibles. Since 2009, the limit has remained at \$10 million, approximately 1.17% of the total insurable value (TIV). This compares to 41% of the TIV for all other perils (AOP).

### Named Windstorm limits purchased from 2004 to 2014:

2004 to 2005 - \$25 million  
2006 to 2007 - \$10 million  
2008 to 2009 - \$20 million  
2009 to 2014 - \$10 million

In the 2008/09 policy year, the City took advantage of a soft insurance market and increased the Named Windstorm limit from \$10 to \$20 million. However, prior to the June 2009 renewal, the property insurance market hardened as a result of industry-wide underwriting losses in 2008, and the weak investment climate. As a result, the estimated premium to maintain the same level of coverage, with a slight increase in the deductible, was \$1,843,304. It was then decided to lower the Named Windstorm limit to \$10 million and increase the deductible in order to renew coverage within the allocated budgetary resources. The renewal premium for this lower level of coverage was \$1,460,346.

On the 13<sup>th</sup> of May, 2009, the City Commission passed Resolution 2009-27077 (Attachment 1) authorizing the Administration to renew the insurance program for up to four additional one-year terms, provided premiums did not exceed budgeted funds. Subsequently, the City has maintained the \$10 million policy limit.

**Analysis**

In the event a named tropical storm or hurricane causes severe damage to the City's property, we will need an immediate infusion of funds in order to recover and begin the rebuilding process as quickly as possible. The Federal Emergency Management Agency (FEMA), and possibly the State of Florida, typically provides disaster assistance to the City. However, to comply with FEMA's eligibility requirements under the Stafford Act, the City is required to purchase Named Windstorm coverage that is *reasonably* available.

In the past ten years, the City has received approximately \$7.5 million in disaster relief from FEMA. An estimated \$3.75 million of this represents recovery for damage to physical locations, and therefore is the amount that the City is committed to insure under the Stafford Act. This is important to keep in mind when considering a limit of insurance for windstorm.

Another requirement to receive FEMA funding is to present your property insurance program every year to the State of Florida, Office of Insurance Regulation, to obtain a "*reasonableness*" letter. The City received this letter for the 2013/14 policy year (Attachment 2). At the same time and under separate cover, the State advised the City to purchase additional windstorm limits for the 2014/15 policy year (Attachment 3). While the State did not recommend a specific amount, Human Resources Risk Management staff, along with the City's Broker of Record, is recommending increasing the coverage level in \$5 million increments at each renewal period, as long as the limits are available and market conditions are reasonable.

Comparison to governmental entities, provided by the City's property insurance consultant:

	<u>South Florida</u>	<u>South Florida</u>	<u>South Florida</u>
	<u>Coastal School (A)</u>	<u>Coastal County (B)</u>	<u>Coastal School (C)</u>
TIV	\$315,379,995	\$12,224,099,312	\$6,072,133,359
Windstorm Limit	\$2,500,000 (0.8%)	\$135,000,000 (1.10%)	\$110,000,000 (1.81%)
	<u>South Florida</u>	<u>South Florida</u>	<u>South Florida</u>
	<u>Coastal School (D)</u>	<u>Coastal County (E)</u>	<u>Coastal County (F)</u>
TIV	\$7,933,590,322	\$2,049,228,338	\$4,585,040,698
Windstorm Limit	\$250,000,000 (3.15%)	\$80,000,000 (3.9%)	\$275,000,000 (6%)
	<u>South Florida</u>		
	<u>Coastal City (G)</u>		
TIV	\$500,000,000		
Windstorm Limit	\$35,000,000 (7%)		

Additional comparison to governmental entities, provided by the Risk Management Division:

	<u>Fort Lauderdale</u>	<u>Pompano Beach</u>	<u>Hialeah</u>
Property TIV	\$248,296,333	\$67,509,324	\$250,000,000
AOP Limit	\$50 million (20.1%)	\$20 million (29.6%)	\$25 million (10%)
Windstorm Limit	\$50 million (20.1%)	\$10 million (14.8%)	\$25 million (10%)
	<u>Coral Gables</u>	<u>Riviera Beach</u>	
Property TIV	\$209,201,816	\$76,298,021	
AOP Limit	\$209,201,816 (100%)	\$30 million (39.3%)	
Windstorm Limit	\$25 million (12%)	\$30 million (39.3%)	

Notes

- 1) The percentages above represent coverage limits compared to the total insurable value.
- 2) Property TIV for Fort Lauderdale and Pompano Beach does not include utility properties.

Recommendation

It is therefore recommended that based on the State's recommendation to increase coverage, and the increasing value of our properties, should the aforementioned criteria be met, and in keeping with the authorization granted by Resolution 2014 – 28612 (Attachment 4), adopted by the City Commission May 28, 2014, the City should budget each year for \$5 million in additional coverage until the \$35 million target is reached or the state determines that the amount of coverage is reasonable. For the 2014/15 policy year, the City has received a non-bindable annual premium indication of \$335,000 (including State of Florida surcharges) to purchase an additional \$5 million of Named Windstorm coverage.

Attachments

  
JLM/KGB/SC-T/SB

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RESOLUTION NO. 2009-27077

A RESOLUTION OF THE MAYOR AND CITY COMMISSION OF THE CITY OF MIAMI BEACH, FLORIDA, APPROVING THE PURCHASE OF FLOOD INSURANCE, ALL RISK PROPERTY INSURANCE (INCLUDING WINDSTORM), AND BOILER/MACHINERY INSURANCE FOR CITY BUILDINGS AND CONTENTS (INCLUDING NEW CONSTRUCTION), AND FINE ARTS INSURANCE (BASS MUSEUM), AS PROPOSED BY ARTHUR J. GALLAGHER RISK MANGEMENT SERVICES, INC., THE CITY'S BROKER OF RECORD.

**WHEREAS**, as proposed by Arthur J. Gallagher Risk Management Services, Inc., the City's broker of record, the Administration has recommended the purchase of Flood Insurance with the National Flood Insurance Program; All Risk property Insurance (including Windstorm) with Lexington Insurance Company as the primary layer and Boiler/Machinery Insurance with Zurich-America and Fine Arts Insurance with Lloyds of London; and

**WHEREAS**, funding is available from the FY 2008-09 Risk Management Claims Account Numbers 540.1792.000378 and 540.1792.000390 (\$1,816,000 for All Risk/Wind and Flood, \$53,000 for the Fine Arts) and FY 2009-10 Proposed Budget Risk Management Claims Account No. 540.1792.000378 for Flood (\$81,000); and

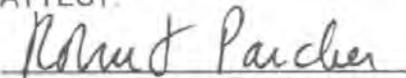
**WHEREAS**, the City Commission authorizes the Administration to purchase the aforesated insurances, as proposed by Arthur J Gallagher and Co., if within budgeted funds; and

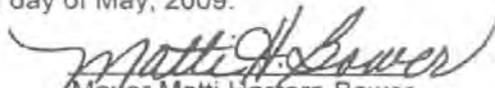
**WHEREAS**, the City Commission authorizes the Administration, to renew the proposed policies for up to four (4) additional one year terms, provided the premium amounts do not exceed budgeted funds.

**NOW, THEREFORE, BE IT DULY RESOLVED BY THE MAYOR AND CITY COMMISSION OF THE CITY OF MIAMI BEACH, FLORIDA**, that the Mayor and City Commission hereby approve the purchase of Flood Insurance, All Risk Property Insurance (including Windstorm), and Boiler/Machinery Insurance for all City-owned buildings and contents (including new construction), and Fine Arts Insurance (Bass Museum), as proposed by Arthur J. Gallagher & Co., the City's broker of record.

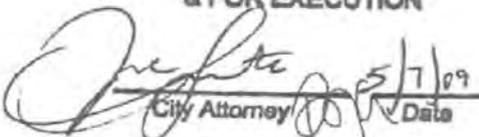
PASSED AND ADOPTED this 13th day of May, 2009.

ATTEST:

  
City Clerk Robert Parcher

  
Mayor Matti Herfera Bower

APPROVED AS TO  
FORM & LANGUAGE  
& FOR EXECUTION

  
City Attorney 5/7/09  
Date



STATE OF FLORIDA

**DIVISION OF EMERGENCY MANAGEMENT**

RICK SCOTT  
Governor

BRYAN W. KOON  
Director

March 14, 2014

Ms. Sonia Bridges, Risk Manager  
City of Miami Beach  
1700 Convention Center Drive  
Miami Beach, Florida 33139

RECEIVED  
HUMAN RESOURCES - CMR  
2014 MAR 21 PM 2:50

Re: City of Miami Beach (2013-2014)  
Insurance Reasonableness Determination Requested

Dear Ms. Bridges:

Please find attached the determination of the State Insurance Commissioner regarding the "reasonableness" of the insurance coverage procured by the City of Miami Beach. Based upon the information reviewed by the Office of Insurance Regulation, the State Insurance Commissioner has determined that the City of Miami Beach has been successful in procuring insurance that appears to be "reasonable."

Please understand that this determination applies only for the levels of coverage, terms and coverage periods that were presented for review; should material terms of the insurance package change, the applicant will need to resubmit for a new reasonableness determination.

If you have any questions or require additional information, please contact Steven Hyatt, State Public Assistance Officer, via email at [Steven.Hyatt@em.myflorida.com](mailto:Steven.Hyatt@em.myflorida.com) or by phone at (850) 487-1660.

Sincerely,

Steven Hyatt  
State Public Assistance Officer

SH/bh

Attachments: Determination of the State Insurance Commissioner



OFFICE OF INSURANCE REGULATION

KEVIN M. MCCARTY  
COMMISSIONER

FINANCIAL SERVICES  
COMMISSION

RICK SCOTT  
GOVERNOR

JEFF ATWATER  
CHIEF FINANCIAL OFFICER

PAM BONDI  
ATTORNEY GENERAL

ADAM FUTNAM  
COMMISSIONER OF  
AGRICULTURE

March 7, 2014

Larissa Pallo  
State Public Assistance Officer  
Division of Emergency Management  
2555 Shumard Oak Boulevard  
Tallahassee, Florida 32399-2100

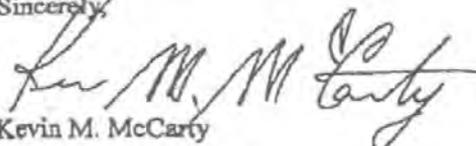
Dear Ms. Pallo:

This letter is in response to David Merrill's letter dated July 19, 2013, in which it was requested that the Office of Insurance Regulation (Office) certify the "reasonableness" of the insurance coverage for the City of Miami Beach. Based on the information provided, it appears that the City of Miami Beach has been successful in procuring insurance that appears to be "reasonable." The City of Miami Beach may have already received an email correspondence with recommendations for the coming policy year. Due to changes in the marketplace, additional comments regarding their program may be provided.

The Office understands that the reason the program has been submitted is to meet the requirements of the Federal Stafford Act, which appears to require the approval of a regulatory authority. Although some of the products at issue may not be subject to Chapter 627 of the Florida Insurance Code, the program that has been selected appears to be "reasonable" and competitive given the state of the Florida insurance market in 2013.

If the Office can be of further assistance, please do not hesitate to contact us.

Sincerely,

  
Kevin M. McCarty

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2014 MAR 21 PM 2:50

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KEVIN M. MCCARTY • COMMISSIONER  
100 EAST GAINES STREET • TALLAHASSEE, FLORIDA 32399-0305 • (850) 413-5914 • FAX (850) 488-3334  
WEBSITE: WWW.FLORIDA.COM • EMAIL: KEVIN.MCCARTY@FLORIDA.COM

Affirmative Action / Equal Opportunity Employer

**Bridges, Sonia**

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**From:** Christy, Virginia [Virginia.Christy@flor.com]  
**Sent:** Thursday, March 06, 2014 5:04 PM  
**To:** Bridges, Sonia  
**Subject:** 138847-13 City of Miami Beach;Reasonableness Determination:

Ms. Bridges,

We have finished the review of the above referenced request from your office to certify the "reasonableness" of the property insurance program for the City of Miami Beach. A letter has been sent to the Department of Emergency Management. It is recommended that the city look into higher Named Windstorm limits for the coming policy year.

Virginia A. Christy  
Assistant General Counsel  
Office of Insurance Regulation  
Division of Legal Services  
200 East Gaines Street  
Tallahassee, FL 32399-4206  
Phone: 850-413-4220  
Email: [Virginia.christy@flor.com](mailto:Virginia.christy@flor.com)

RESOLUTION NO. 2014-28612

A RESOLUTION OF THE MAYOR AND CITY COMMISSION OF THE CITY OF MIAMI BEACH, FLORIDA, APPROVING THE PURCHASE OF FLOOD INSURANCE, ALL-RISK PROPERTY INSURANCE (INCLUDING WINDSTORM), BOILER & MACHINERY INSURANCE FOR CITY BUILDINGS AND CONTENTS (INCLUDING NEW CONSTRUCTION), AND FINE ARTS INSURANCE (BASS MUSEUM AND ART IN PUBLIC PLACES), AS PROPOSED BY ARTHUR J. GALLAGHER RISK MANAGEMENT SERVICES, INC., THE CITY'S BROKER OF RECORD.

WHEREAS, as proposed by Arthur J. Gallagher Risk Management Services, Inc., the City's broker of record, the Administration has recommended the purchase of Flood Insurance with the National Flood Insurance Program; All-Risk Property Insurance (including Windstorm) with Lexington Insurance Company, Boiler & Machinery Insurance with Zurich-American, and Fine Arts Insurance with Lloyds of London; and

WHEREAS, funding is available from the Risk Management budgets 540-1792-000378 (\$1,975,000) and 540-1792-000390 (\$53,000); and

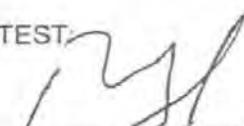
WHEREAS, the City Commission authorizes the Administration to purchase the aforesated insurances, as proposed by Arthur J. Gallagher Risk Management Services, Inc., if within budgeted funds; and

WHEREAS, the City Commission authorizes the Administration to renew the proposed policies for up to four (4) additional one-year terms, provided the premium amounts do not exceed budgeted funds.

NOW, THEREFORE, BE IT DULY RESOLVED BY THE MAYOR AND CITY COMMISSION OF THE CITY OF MIAMI BEACH, FLORIDA, that the Mayor and City Commission hereby approve the purchase of Flood Insurance, All-Risk Property Insurance (including Windstorm), Boiler & Machinery Insurance for all City-owned buildings and contents (including new construction), and Fine Arts Insurance (Bass Museum and Art in Public Places), as proposed by Arthur J. Gallagher Risk Management Services, Inc., the City's broker of record.

PASSED AND ADOPTED this 28 day of May 2014.

ATTEST:

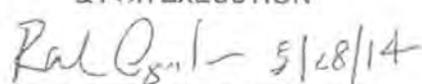
  
Rafael Granado, City Clerk



  
Philip Levine, Mayor

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APPROVED AS TO  
FORM & LANGUAGE  
& FOR EXECUTION

  
City Attorney  Date 5/28/14

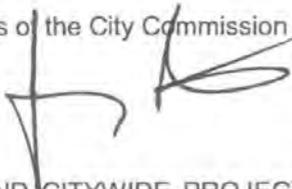


# MIAMIBEACH

City of Miami Beach, 1700 Convention Center Drive, Miami Beach, Florida 33139, [www.miamibeachfl.gov](http://www.miamibeachfl.gov)

## MEMORANDUM

TO: Mayor Philip Levine and Members of the City Commission

FROM: Jimmy L. Morales, City Manager 

DATE: September 10, 2014

SUBJECT: REPORT OF THE FINANCE AND CITYWIDE PROJECTS COMMITTEE  
MEETING ON AUGUST 13, 2014

The agenda is as follows:

### OLD BUSINESS

1. Discussion regarding The Greater Miami Convention and Visitors Bureau Interlocal Agreement

### ACTION

The Committee recommended moving forward on a month to month extension under the current contracted terms not to exceed one (1) year. The intent is for staff to re-negotiate an incentive base plan that establishes a base fee and an incentive fee to be paid based on the overall achievement of annual performance goals. Budget is to also add a line item for an owner's representative that is not to exceed \$161,000 at the City Manager's discretion. Staff is to bring back the item to Committee once negotiations are completed.

2. Discuss: The Purchase Of Flood Insurance, All-Risk Property Insurance, Including Windstorm, Boiler & Machinery Insurance For City Buildings And Contents (Including New Construction); And Fine Arts Insurance (Bass Museum), As Proposed By Arthur J. Gallagher Risk Management Services, Inc., The City's Broker Of Record

### ACTION

The Committee recommended that Staff maintain the \$330,000 enhancement for increased windstorm coverage, but amend the description to offset the existing deficit instead of covering additional windstorm insurance premium. The funds could potentially be used during Fiscal Year 2015 to purchase additional insurance prior to next year's hurricane season, depending on feedback from the State.

3. Discussion regarding the Use of the Byron Carlyle Theater

ACTION

The Committee did not recommend moving forward at this time.

NEW BUSINESS

4. Employee Wellness Program

ACTION

The Committee recommended allocating \$53,000 to a wellness program for staff to work with Gallagher on issuing a RFP. This would be a component of the benefits of employment with the City of Miami Beach anticipating eventual savings to the health plan and the benefits of a healthier work force outweighing the cost.

5. Status Update on FY 2014/15 General Fund Operating Budget Potential Efficiencies, Reductions, Enhancements, Revenue Enhancements

ACTION

The Committee recommended that staff review the expenditures of the World Out Games as a caveat to differing the repayment of the \$50,000 in matched funds previously provided to fiscal year 2015/2016.

General Fund Departments	
ODPI	Delete funding for Cultural Communication in the Workplace workshop
Parks & Recreation	Park Ranger Program: Fully Loaded Cost of an entry level police officer vs. proposed park ranger
Parks & Recreation	Senior Enhancement Transportation Service (SETS): Revise to \$30,000 from \$35,000
Public Works	Assistant Director Position: Replace with the Streets and Lighting Superintendent position from the Non-Recommended list.
Emergency Management	911 Records Custodian: Identify any anticipated revenue that will offset the \$70,000 price tag.
Internal Service Departments	
Risk Management	Increased Windstorm Coverage: Maintain the \$330,000 allocation but amend the description to read offset existing deficit instead of covering insurance premium; decision whether to purchase insurance can be made prior to next year's hurricane season
Enterprise Fund Departments	

Parking	Cleanliness: More detail supporting the request of \$600,000 including what is current funding
Parking	Loading Zones: More detail supporting the request for \$355,000; is the amount correct?
Parking	Delete Additional Windstorm Coverage; not necessary if Risk-Windstorm Insurance enhancement not approved
Transportation	Additional detail related to the composition of the Transportation Dept.
<b>Board Proposed Additions from Non-Recommended List</b>	
Building	Establish an unsafe structure panel \$50,000
OBPI	Increase audit coverage by adding Internal Auditor Position \$60,000
<b>Potential Additional Enhancements</b>	
Community Services	A program for at-risk teens delivering produce to shut-ins in conjunction with community services \$10,000
Miscellaneous	IB Program at Nautilus Middle School \$90,000
Millage Rate Decrease	Quantify millage rate decrease of \$485,000; identify reductions totaling \$485,000 or consider supplementing \$485,000 from Resort Tax
Additional Savings	Identify recommended enhancements that may be eligible for Resort Tax Funding

# MIAMI BEACH

City of Miami Beach, 1700 Convention Center Drive, Miami Beach, FL 33139, www.miamibeachfl.gov

## COMMITTEE MEMORANDUM

TO: Finance and City Wide Projects Committee

FROM: Jimmy L. Morales, City Manager



DATE: August 13, 2014

SUBJECT: **Named Windstorm Coverage**

### Background

The City of Miami Beach's property schedule is valued at \$853 million and represents a 100% coastal exposure with no inland spread of risk. The fact that the City of Miami Beach sits on a barrier island and is concentrated within a seven square mile area means that if a tropical storm or hurricane hits our area, the impact on the City will be substantial.

The City's insurance broker analyzes the City's property portfolio in terms of wind exposure using two different probable maximum loss (PML) models (RMS, a trademark of Risk Management Solutions and Applied Insurance Research, Inc. [AIR]). These are the same computer models insurance companies use to measure their aggregated risk in certain geographical areas.

The City of Miami Beach's property portfolio is perceived to generate risk as summarized in the table below. The model, developed prior to the 2014 renewals, is based on the prior year's total insured values (TIV) of \$685 million before the addition of the parking garages to the City's insured property schedule.

Critical Probability	Return Period	AIR MODEL		RMS MODEL	
		Ground Up	Gross Loss	Ground Up	Gross Loss
0.10%	1,000	\$ 357,045,026	\$ 306,124,273	\$ 453,468,502	\$ 415,801,353
0.20%	500	\$ 282,959,658	\$ 232,278,554	\$ 361,389,806	\$ 327,485,822
<b>0.40%</b>	<b>250</b>	<b>\$ 211,853,531</b>	<b>\$ 161,681,211</b>	<b>\$ 274,994,150</b>	<b>\$ 243,485,487</b>
1.00%	100	\$ 135,507,613	\$ 90,551,276	\$ 170,899,634	\$ 145,263,428
2.00%	50	\$ 68,544,437	\$ 33,731,840	\$ 101,806,053	\$ 77,552,144
5.00%	20	\$ 22,517,500	\$ 6,780,970	\$ 30,689,077	\$ 8,512,953
<b>Average Annual Loss</b>		<b>\$ 5,290,935</b>	<b>\$ 3,228,200</b>	<b>\$ 6,842,000</b>	<b>\$ 4,829,252</b>

Insurance companies and rating agencies use the 250-year storm (0.4% probability of occurring in any given year) as a benchmark for perceived risk to a property insurance portfolio. Based on that benchmark, the industry estimates the City's PML (the amount of catastrophic risk the City adds to the carrier's portfolio) between \$212 million and \$275 million. However, it is not reasonable to expect a City to insure for a 250 year storm event; typically, jurisdictions rely on FEMA (Federal Emergency Management Agency) for that type of event.

The City purchased \$15 million of coverage and insurance companies anticipate that as the result of a medium to large windstorm event, the City will sustain damage well in excess of this

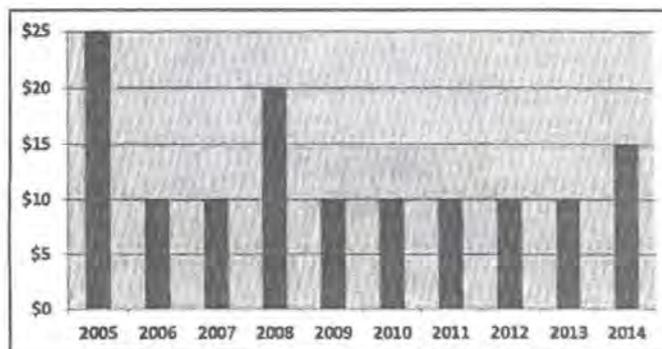
amount and price coverage accordingly. The City needs to determine how much cash it will need to have access to immediately after a storm and the insurance companies need to decide how much coverage they can afford to sell and at what price to entities located in wind-prone areas which will, sooner or later, result in payments to the insured party. These are among the challenges faced by the City in purchasing Named Windstorm coverage, and the insurers, who need to manage their aggregate exposure in wind-prone areas. Of the 26 insurers that our broker approached in 2014, only five submitted responsive quotes.

The City has a risk management strategy to help recover from tropical storm or hurricane related damages, which consists of preserving its ability to obtain relief from the FEMA, under the Stafford Act, and possibly from the State of Florida, in the event of a Federally-declared disaster, and purchasing Named Windstorm insurance coverage.

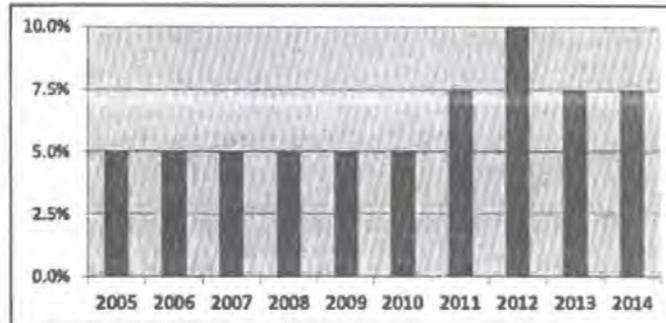
Obtaining relief from the Federal or State government could be a multi-year process, which may require significant efforts on the part of the City to obtain funds. Additionally, under the Stafford Act, the City is required to purchase insurance on its buildings and contents for the amount and peril(s) for which it has already received funds from FEMA. Therefore, the City must purchase, at a minimum, Named Windstorm coverage to fulfill its FEMA obligation, as well as to have a ready and secure source of funds, in the event of a tropical storm or hurricane. Over the past ten-plus years, the City received approximately \$7.5 million in disaster relief from FEMA. An estimated \$3.75 million of this represents recovery for damage to physical locations, and therefore is the amount that the City is committed to insure under the Stafford Act.

The cost of coverage (which fluctuates in hard and soft markets) has been a factor in the amount of coverage the City has been purchasing. In the past 10 years, the amount of Named Windstorm coverage purchased has ranged from \$10 million to \$25 million, in excess of applicable deductibles. Until 2014, the limit had remained at \$10 million (approximately 1.45% based on \$685 TIV at the time). This compares to 41% of the TIV for all other perils (AOP). In 2014, the City decided to increase this limit, from \$10 million to \$15 million but at the same time added the parking garages to the insured property schedule (\$15 million in coverage is approximately 1.76% of the TIV), as part of an effort to obtain incrementally higher limits over time.

Named Windstorm limits purchased from 2005 to 2014 (amounts in \$ millions):



Named Windstorm Percentage Deductible



In the 2008/09 policy year, the City took advantage of a soft insurance market and increased the Named Windstorm limit from \$10 to \$20 million. However, prior to the June 2009 renewal, the property insurance market hardened as a result of industry-wide underwriting losses in 2008, and the weak investment climate. As a result, the estimated premium to maintain the same level of coverage, with a slight increase in the deductible, was \$1,843,304. The Named Windstorm limit was lowered to \$10 million and the deductible increased to renew coverage within the allocated budgetary resources. The renewal premium for this lower level of coverage was \$1,460,346.

At the May 13, 2009 meeting, the City Commission passed Resolution 2009-27077 authorizing the Administration to renew the insurance program for up to four additional one-year terms, provided premiums did not exceed budgeted funds. Subsequently, the City maintained the \$10 million policy limit until 2014.

At the June 11, 2014 Commission meeting, subject to review and authorization by the Finance and Citywide Projects Committee, the Commission authorized the purchase of an additional \$5 million of Named Windstorm coverage through Resolution No. 2014-28626.

Analysis

In the event a named tropical storm or hurricane causes severe damage to the City's property, the City will need an immediate infusion of funds to recover and begin the rebuilding process as quickly as possible. FEMA, and possibly the State of Florida, typically provides disaster assistance to the City. However, to comply with FEMA's eligibility requirements under the Stafford Act, the City is required to purchase Named Windstorm coverage that is *reasonably* available.

In addition to the \$3.75 million in coverage minimum, to receive FEMA funding the City is required to present its property insurance program every year to the State of Florida, Office of Insurance Regulation (via the FL Division of Emergency Management), to obtain a "*reasonableness*" letter. The City received this letter for the 2013/14 policy year (Attachment 1). At the same time and under separate cover, the State advised the City to purchase additional windstorm limits for the 2014/15 policy year (Attachment 2), although the State did not recommend a specific amount.

Other Coastal Entities' Insurance Information

At the City's request, its broker of record provided information on the TIV and windstorm limits in other coastal entities in Florida.

Comparison to governmental entities, provided by the City's property insurance consultant:

	<u>South Florida</u>	<u>South Florida</u>	<u>South Florida</u>
	<u>Coastal School (A)</u>	<u>Coastal County (B)</u>	<u>Coastal School (C)</u>
TIV	\$315,379,995	\$12,224,099,312	\$6,072,133,359
Windstorm Limit	\$2,500,000 (0.8%)	\$135,000,000 (1.10%)	\$110,000,000 (1.81%)
	<u>South Florida</u>	<u>South Florida</u>	<u>South Florida</u>
	<u>Coastal School (D)</u>	<u>Coastal County (E)</u>	<u>Coastal County (F)</u>
TIV	\$7,933,590,322	\$2,049,228,338	\$4,585,040,698
Windstorm Limit	\$250,000,000 (3.15%)	\$80,000,000 (3.9%)	\$275,000,000 (6%)
	<u>South Florida</u>		
	<u>Coastal City (G)</u>		
TIV	\$500,000,000		
Windstorm Limit	\$35,000,000 (7%)		

The coverage decisions made by those entities do not automatically turn into a recommendation that the City of Miami Beach act similarly since differences between entities need to be taken into account. If the City was to insure at levels similar to coastal City "G", this would result in an insurance level of \$48 million.

In addition to the information provided by our insurance broker, the City's Risk Management Division also researched insurance levels in neighboring cities.

Additional comparison to governmental entities, provided by the Risk Management Division of the Human Resources Department:

	<u>Fort Lauderdale</u>	<u>Pompano Beach</u>	<u>Hialeah</u>
Property TIV	\$248,296,333	\$67,509,324	\$250,000,000
AOP Limit	\$50 million (20.1%)	\$20 million (29.6%)	\$25 million (10%)
Windstorm Limit	\$50 million (20.1%)	\$10 million (14.8%)	\$25 million (10%)
	<u>Coral Gables</u>	<u>Riviera Beach</u>	
Property TIV	\$209,201,816	\$76,298,021	
AOP Limit	\$209,201,816 (100%)	\$30 million (39.3%)	
Windstorm Limit	\$25 million (12%)	\$30 million (39.3%)	

Notes

- 1) The percentages above represent coverage limits compared to the total insurable value.
- 2) Property TIV for Fort Lauderdale and Pompano Beach does not include utility properties.

### **Recommendation**

Based on the State's recommendation to increase the City's Named Windstorm coverage, the Administration recommended increasing funding coverage to \$25 million, increasing the amount by \$5 million per year over three years, assuming the limits continue to be available and reasonable. The \$25 million in coverage is within the range of the probable maximum loss for a 20-year storm (\$23 million - \$31 million).

As to the actual amount of insurance coverage the City should carry, the prudent recommendation is that the City continue with its risk management strategy which consists of preserving its ability to obtain relief from the FEMA, under the Stafford Act, and possibly from the State of Florida, in the event of a Federally-declared disaster, and purchasing Named Windstorm insurance coverage. This recommendation translates into determining how much money the City needs to be able to access immediately, in addition to the working capital in place, to respond and recover from a tropical storm or hurricane. The Risk Management Division will work with the Emergency Management Department to determine appropriate levels of funds needed for immediate reconstruction of facilities critical to continuity of operations, in addition to working capital needed to respond and recover from a tropical storm or hurricane.

### **Attachments**

JLM/KGB/SC-T



STATE OF FLORIDA  
**DIVISION OF EMERGENCY MANAGEMENT**

RICK SCOTT  
Governor

BRYAN W. KOON  
Director

March 14, 2014

Ms. Sonia Bridges, Risk Manager  
City of Miami Beach  
1700 Convention Center Drive  
Miami Beach, Florida 33139

Re: City of Miami Beach (2013-2014)  
Insurance Reasonableness Determination Requested

Dear Ms. Bridges:

Please find attached the determination of the State Insurance Commissioner regarding the "reasonableness" of the insurance coverage procured by the City of Miami Beach. Based upon the information reviewed by the Office of Insurance Regulation, the State Insurance Commissioner has determined that the City of Miami Beach has been successful in procuring insurance that appears to be "reasonable."

Please understand that this determination applies only for the levels of coverage, terms and coverage periods that were presented for review; should material terms of the insurance package change, the applicant will need to resubmit for a new reasonableness determination.

If you have any questions or require additional information, please contact Steven Hyatt, State Public Assistance Officer, via email at [Steven.Hyatt@em.myflorida.com](mailto:Steven.Hyatt@em.myflorida.com) or by phone at (850) 487-1660.

Sincerely,

Steven Hyatt  
State Public Assistance Officer

SH/bh

Attachments: Determination of the State Insurance Commissioner



OFFICE OF INSURANCE REGULATION

KEVIN M. MCCARTY  
Commissioner

FINANCIAL SERVICES  
COMMISSION  
RICK SCOTT  
GOVERNOR  
JEFF ATWOOD  
CHIEF FINANCIAL OFFICER  
DAN BORN  
ATTORNEY GENERAL  
ABRAM PUTNAM  
COMMISSIONER OF  
AGRICULTURE

March 7, 2014

Larissa Pallo  
State Public Assistance Officer  
Division of Emergency Management  
2555 Shumard Oak Boulevard  
Tallahassee, Florida 32399-2100

Dear Ms. Pallo:

This letter is in response to David Merrill's letter dated July 19, 2013, in which it was requested that the Office of Insurance Regulation (Office) certify the "reasonableness" of the insurance coverage for the City of Miami Beach. Based on the information provided, it appears that the City of Miami Beach has been successful in procuring insurance that appears to be "reasonable." The City of Miami Beach may have already received an email correspondence with recommendations for the coming policy year. Due to changes in the marketplace, additional comments regarding their program may be provided.

The Office understands that the reason the program has been submitted is to meet the requirements of the Federal Stafford Act, which appears to require the approval of a regulatory authority. Although some of the products at issue may not be subject to Chapter 627 of the Florida Insurance Code, the program that has been selected appears to be "reasonable" and competitive given the state of the Florida insurance market in 2013.

If the Office can be of further assistance, please do not hesitate to contact us.

Sincerely,

  
Kevin M. McCarty

\*\*\*  
KEVIN M. MCCARTY • COMMISSIONER  
200 EAST GAINES STREET • TALLAHASSEE, FLORIDA 32399-0385 • (850) 413-3914 • FAX (850) 488-3134  
WEBSITE: WWW.FLORIL.COM • EMAIL: KEVIN.MCCARTY@FLORIL.COM

Affirmative Action / Equal Opportunity Employer

**Bridges, Sonia**

---

**From:** Christy, Virginia [Virginia.Christy@flor.com]  
**Sent:** Thursday, March 06, 2014 5:04 PM  
**To:** Bridges, Sonia  
**Subject:** 138847-13 City of Miami Beach;Reasonableness Determination:

Ms. Bridges,

We have finished the review of the above referenced request from your office to certify the "reasonableness" of the property insurance program for the City of Miami Beach. A letter has been sent to the Department of Emergency Management. It is recommended that the city look into higher Named Windstorm limits for the coming policy year.

Virginia A. Christy  
Assistant General Counsel  
Office of Insurance Regulation  
Division of Legal Services  
200 East Gaines Street  
Tallahassee, FL 32399-4206  
Phone: 850-413-4220  
Email: [Virginia.christy@flor.com](mailto:Virginia.christy@flor.com)

**Bridges, Sonia**

---

**From:** Holton, Leonard [Leonard.Holton@flor.com]  
**Sent:** Monday, November 24, 2014 3:00 PM  
**To:** Bridges, Sonia  
**Subject:** reasoableness of coverage determination.

Ms. Bridges,

The Office of Insurance Regulation has finished the review of the reasonableness of the insurance coverage for the City of Miami Beach. The coverage appear to be reasonable based on the current market conditions. It is recommended that the city continue to look into higher Named Windstorm limits for the coming policy year.

A letter will be sent to the Department of Emergency Management regarding the review. DEM should be in touch with you in the near future.

**Leonard Holton**

Assistant General Counsel, Legal Services Office  
Florida Office of Insurance Regulation



STATE OF FLORIDA  
**DIVISION OF EMERGENCY MANAGEMENT**

RICK SCOTT  
 Governor

BRYAN W. KOON  
 Director

January 14, 2015

Ms. Sonia Bridges, Risk Manager  
 City of Miami Beach  
 1700 Convention Center Drive  
 Miami Beach, Florida 33139

Re: City of Miami Beach (2014-2015)  
 Insurance Reasonableness Determination Requested

Dear Ms. Bridges:

Please find attached the determination of the State Insurance Commissioner regarding the "reasonableness" of the insurance coverage procured by the City of Miami Beach. Based upon the information reviewed by the Office of Insurance Regulation, the State Insurance Commissioner has determined that the City of Miami Beach has been successful in procuring insurance that appears to be "reasonable."

Please understand that this determination applies only for the levels of coverage, terms and coverage periods that were presented for review; should material terms of the insurance package change, the applicant will need to resubmit for a new reasonableness determination.

If you have any questions or require additional information, please contact Bridgette Hallum, Public Assistance Coordinator, via email at [Bridgette.Hallum@em.myflorida.com](mailto:Bridgette.Hallum@em.myflorida.com) or by telephone at (850) 413-9809.

Sincerely,

Bryan Lowe  
 State Public Assistance Officer

BL/bh

Attachments: Determination of the State Insurance Commissioner

RECEIVED  
 HUMAN RESPONSE DIVISION  
 2015 JAN 21 PM 2:27



OFFICE OF INSURANCE REGULATION

KEVIN M. MCCARTY  
COMMISSIONER

FINANCIAL SERVICES  
COMMISSION

RICK SCOTT  
GOVERNOR

JEFF ATWATER  
CHIEF FINANCIAL OFFICER

PAM BONDI  
ATTORNEY GENERAL

ADAM PUTNAM  
COMMISSIONER OF  
AGRICULTURE

December 11, 2014

Bryan Lowe  
State Public Assistance Officer  
Division of Emergency Management  
2555 Shumard Oak Blvd  
Tallahassee, Florida 32399-2100

Dear Mr. Lowe:

This letter is in response to Steven Hyatt's request dated September 17, 2014, in which it was requested that the Office of Insurance Regulation (Office) certify the "reasonableness" of the insurance coverage for the City of Miami Beach, Florida. Based on the information provided, it appears that the City of Miami Beach has been successful in procuring insurance that appears to be "reasonable." The City of Miami Beach may have already received an email correspondence with recommendations for the coming policy year. Due to changes in the marketplace, additional comments regarding their program may be provided.

The Office understands that the reason the program has been submitted is to meet the requirements of the Federal Stafford Act, which appears to require the approval of a regulatory authority. Although some of the products at issue may not be subject to Chapter 627 of the Florida Insurance Code, the program that has been selected appears to be "reasonable" and competitive given the state of the Florida insurance market in 2014.

If the Office can be of further assistance, please do not hesitate to contact us.

Sincerely,

  
Kevin M. McCarty

RECEIVED  
HUMAN RESOURCES - LHM  
2015 JAN 21 PM 2:27