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September 14, 2015

Mr. Tony Barnes  
Director of Administrative Services  
City of Fort Pierce  
100 North U.S. 1  
Fort Pierce, FL 34954

Subject: Remarketing of Property and Casualty Insurance  
Siver Recommendation

Dear Mr. Barnes:

At your request, Siver has reviewed the three proposals which the City of Fort Pierce (City) received in response to their Request for Proposals for Property and Casualty Insurance (RFP #2015-049). Those proposals were from Florida Municipal Insurance Trust through the Florida League of Cities, Inc. (FMIT), Preferred Governmental Insurance Trust through Brown & Brown of Florida, Inc. (PGIT) and Public Risk Management of Florida through World Risk Management (PRM).

In regards to the proposals for property and casualty insurance coverages, effective October 1, 2015, we offer the following recommendation and commentary.

### **SIVER RECOMMENDATION**

We recommend that the City accept the proposal offered by FMIT for the renewal of the City's property and casualty package coverages, for an annual policy premium of \$1,229,513. That premium is \$114,241 less than FMIT's 2014/2015 package program premium.

SIVER INSURANCE CONSULTANTS

Mr. Tony Barnes  
September 14, 2015  
Page 2

**DISCUSSION OF PROPOSALS**

Attached to this letter are our proposal analysis work papers. These work papers compare the coverage terms and conditions of the renewal proposals offered by FMIT, PGIT and PRM, and include a premium/cost summary.

**FMIT Proposal**

FMIT has proposed basically the same coverage as the expiring package program for a total estimated cost of \$1,229,513. That proposed premium is \$114,241 less than the FMIT package program premium of \$1,343,754.

The combined estimated annual premium for the recommended FMIT program is summarized as follows:

<u>Coverage</u>	<u>Insurer</u>	<u>Deductible</u>	<u>Proposed Premium</u>
Property, Inland Marine, Crime & Equipment Breakdown	FMIT	\$25,000 except 5% Named Windstorm	\$233,511
General Liability, Law Enforcement Liability, Public Officials/EPL Automobile Liability Auto Physical Damage	FMIT	None	\$573,537
Workers' Compensation	FMIT	None	<u>\$422,465</u>
		TOTAL	\$1,229,513

*FMIT Premium Refund*

Separate from the proposed renewal premium shown above, the Florida League of Cities has mentioned in their proposal that the City can expect a premium refund of \$52,194 from property premiums during the 2013/2014 policy year, but only if coverage is renewed with FMIT.

*FMIT Form Changes*

FMIT included a list of intended form changes with their proposal. In our opinion, one of these changes is significant. The property coverage extension, which provided limited coverage (\$250,000) for property unintentionally omitted from the property schedule, has been eliminated on the new edition of the extension endorsement FMIT PROP 03.

Mr. Tony Barnes  
September 14, 2015  
Page 3

### **PGIT Proposal**

PGIT provided a proposal for all lines of coverage in the City's expiring FMIT package program, except Cyberliability coverage. Their premium is \$1,328,003, which is \$98,490 more than the FMIT renewal proposal. In our opinion, while the coverage proposed by PGIT could be a reasonable alternative to that currently provided by FMIT, the premium difference, plus the loss of the FMIT property premium refund (an additional difference of \$52,194), has eliminated the PGIT program from further consideration.

Coverage advantages of the PGIT program include:

Lower Named Storm Deductible – PGIT has proposed a 3% named windstorm deductible compared to a 5% named storm deductible from FMIT.

Property Coverage for Unintentionally Unscheduled Locations – While it appears that FMIT has eliminated all property coverage for unscheduled locations, PGIT has continued their limited coverage for locations erroneously omitted.

Two Year Rate Guarantee – PGIT has offered a two year rate guarantee. The rates for the 2016/2017 policy year would be identical to the first year (2015/2016), with changes only to the City's workers' compensation experience modification and the City's exposure/rating data (property & auto schedules, payroll and number of employees).

In our opinion, the coverage advantages of the PGIT proposal do not outweigh the premium savings of the FMIT proposal.

### **PRM Proposal**

PRM provided a proposal for all lines of coverage in the City's expiring FMIT package program. Their premium, for the same coverages as the expiring FMIT program, is \$1,180,064, which appears to be \$49,449 less than the FMIT renewal proposal, however; after considering the loss of the City's property premium refund (\$52,194), the total cost to the City of the PRM package program would be \$2,745 higher than continuing the FMIT program.

Coverage advantages of the PRM program include:

Lower Named Storm Deductible – PRM has proposed property coverage with a 3% named windstorm deductible compared to a 5% named storm deductible from FMIT.

Mr. Tony Barnes  
September 14, 2015  
Page 4

Higher Property Coverage Sublimits – In general, the property coverage sublimits offered by PRM are significantly higher than those offered by FMIT. However, while the higher PRM sublimits are an advantage, it is our opinion the sublimits offered by FMIT are not inadequate.

In general, we do not recommend that our clients change insurers unless there is an overwhelming reason to do so, such as substantially improved coverage, a significantly lower premium or dissatisfaction with the current insurer's services. In this case, the premium proposed by PRM, for coverage similar to the expiring policy, is not significantly different than that offered by FMIT and it is our understanding that the City is not dissatisfied with the service they receive from FMIT. While there are some coverage advantages to the PRM proposal, they are not so significant that we would recommend changing insurers to obtain them.

#### **Various Deductible Options Offered**

The City's current coverage includes a \$25,000 deductible for property coverage and first dollar (no deductible) coverage for liability and workers' compensation. In addition to coverage which matches the current program, the RFP requested that each insurer propose deductibles of \$10,000 and \$25,000 for the City's consideration.

For the purpose of our review, we utilized the City's last five years of historical loss data and estimated an average loss amount for the City's share of losses at both a \$10,000 and \$25,000 deductible level, to add to the deductible premium proposals. We found the following:

- FMIT proposed options with \$10,000 and \$25,000 deductibles for both workers' compensation and liability. However, the proposed premiums for both deductible options, when combined with our projections for the additional cost of the City paying claims within the proposed deductibles, would result in an overall higher cost to the City than the FMIT premium with no deductibles for either workers' compensation or liability.
- PRM also offered options with \$10,000 and \$25,000 per occurrence deductibles for both workers' compensation and liability coverage. In our opinion, were the City opting to place coverage with PRM (which we have not recommended), we would most likely be encouraging the City to strongly consider the options offered by PRM, as these deductible options do offer the City some potential for overall cost savings when compared to the PRM first dollar proposal. However, if the City were considering the PRM program, despite the potential for premium savings, we would likely still be somewhat cautious in recommending that the City switch from its current "first-dollar" program to a deductible program

**SIVER INSURANCE CONSULTANTS**

Mr. Tony Barnes  
September 14, 2015  
Page 5

because this type of change necessarily involves an increase in risk to the City and also adds a great deal of volatility to the cost of the City's casualty insurance program. It is important to note that the deductible programs quoted apply on a "per occurrence" basis. Therefore, depending upon the number of workers' compensation and liability claims the City has in a given year, the cost of paying the \$10,000 or \$25,000 deductible can vary greatly, and while the total cost of the City could be lower for the City, if the City had a particularly bad claim year (especially if it involved a high frequency of claims), the cost to the City could be significantly higher under the deductible options.

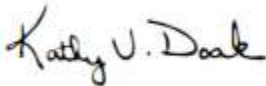
**RECAP AND SUMMARY**

We recommend that the City accept the proposal offered by FMIT for the renewal of the City's property and casualty package coverages, for an annual policy premium of \$1,229,513.

We appreciate this opportunity to be of service to the City of Fort Pierce. If you have any questions, please let us know.

Very truly yours,

SIVER INSURANCE CONSULTANTS



Kathy V. Doak, ARM-P, AAI  
Reviewed by: George W. Erickson, JD, CPCU, LLM

KVD/ms

Attachment