

EXECUTIVE SUMMARY

Recommendation of \$500,000 or Greater 19-003V – Property and Casualty Insurance Brokerage Services

School districts are required to carry property insurance on all school buildings (except buildings with three (3) classrooms or less) and all school plants, including contents, boiler, and machinery, pursuant to provisions of section 1001.42 (11) (d), Florida Statutes.

Florida Administrative Rule 6A-1.012(15) states, except as otherwise required by statute, a district school board, when purchasing insurance, entering into a risk management program or contracting with third-party administrators, may make any such acquisitions through a competitive solicitation process or by direct negotiations and contract.

Through the process of continuous improvement, The School Board of Broward of County, Florida (SBBC), released a Request for Proposal (RFP) 19-003V on December 12, 2017, for Property & Casualty Insurance Brokerage Services. The current Request for Information (RFI) 14-063P is set to expire on May 15, 2018. This RFP is designed to help committee members evaluate and select an insurance brokerage firm with experience and expertise in designing/implementing a risk management program with stringent service requirements. The successful bidder will have experience with a property and casualty program similar in size and scope to SBBC. The RFP defines skills, capabilities and service expectations. SBBC received submittals from two brokerage firms:

Arthur J. Gallagher Risk Management Services, Inc. (AJG)

Alliant Insurance Services, Inc. (Alliant)

Committee Evaluation & Selection:

A District Property Insurance Services Review Committee evaluated both proposals. Six (6) committee members participated in this evaluation. Committee members included Ben Few II, Ben Few III (independent insurance consultants), Mike Fox, Risk and Benefits Executive Director with Miami-Dade School District, Linda King, Risk and Benefits Manager for Palm Beach County School District, Aston A. Henry, Jr., Director of Risk Management and Theresa Coleman, Office Confidential. Each firm was evaluated on broker experience, qualifications, services offered as well as broker compensation.

Executive summaries received from each firm provided detailed information on staffing experience, financial stability, and public entity experience. AJG's proposal specifically notes experience with large Florida Public School Districts and tier-one wind coverage. Committee members voiced concerns about Alliant's lack of experience with tier-one wind coverage and large Florida Public School Districts. The District's exposure to financial risk is heavily affected by federal and state laws. Both the Federal Emergency Management Association (FEMA) and Florida Sovereign Immunity play a major role in the districts risk management strategy. The District will seek recovery from FEMA for property losses should a catastrophic hurricane loss occur. Florida Sovereign Immunity laws would apply to all liability risk for third-party tort claims. Once again Alliant's lack of experience with Florida Sovereign Immunity and Florida FEMA claims/recovery lead to a reduction in points awarded under experience and qualifications. Five of the top ten school districts in the nation are currently serviced by AJG. Additionally, AJG services thirty-six (36) school districts in the state of Florida and services forty (40) of the top one hundred (100) school districts nationwide. Alliant currently services three small charter schools in Jacksonville, Florida. AJG has a vast amount of experience with placement of large/difficult-to-insure property values with tier-one wind coverage.

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Committee members focused on AJG’s proven track record of handling large Florida east coast public entity firms over a forty (40) year period. AJG has an advantage with the placement of large property values within regional South Florida. Alliant’s experience with Florida Schools is specific to Charters located in Northern Florida. Both firms were interviewed by committee members. Committee questions were focused primarily on public entity experience and scope of service. The chart below depicts experience levels, servicing office locations, Florida team presence and schools districts serviced.

Broker Chart Comparison:

	Alliant Insurance Services, Inc.	Arthur J. Gallagher Risk Management Services, Inc.
Servicing Location	1540 International Parkway, Suite #2000 Lake Mary, FL 32746 & 1301 Dove Street, Suite #200 Newport Beach, CA 92660	2255 Glades Road, Suite #200E Boca Raton, FL 33431
Corporate Size	12th Largest in US (Privately Held)	4th Largest in US / 4th Largest in the World (Publicly Traded)
Corporate Revenue	\$1.0 Billion	\$4.2 Billion
Corporate # of Employees	2,750	24,750
Nationwide Offices	National Reach (90 offices countrywide / 40 East Coast)	Local, National and Worldwide (710+ Offices in 150+ Countries, 9 Florida offices)
Team Leader / Location	Jeff Moench, P.E. Senior Executive Vice President Senior Managing Director, Specialty Group 1301 Dove Street, Suite #200 Newport Beach, CA 92660 2415 E. Camelback Road, Suite #420 Phoenix, AZ 85016	David L. Marcus, ARM-P Area Chairman, Florida Managing Director, Gallagher Public Sector 2255 Glades Road, Suite #200E Boca Raton, FL 33431
Dedicated Team	10 Key Staff Members / 3 Specialized Support	7 Dedicated / 5 Executive-Specialized Support / 1 National Resource
Florida Team Presence	2	11
Florida Team Combined Experience	23 years experience, plus Administrative Support (TBD) Local team representatives have little to no experience in working with any large Florida Educational or Public Entity account.	235 years combined experience, Core team members have serviced SBBC for well over 10 years and the account executive 20-plus years. Team has local property & casualty insurance experience, an understanding of Florida sovereign immunity and local Workers' Compensation practices. Gallagher works with 205 Florida Public Sector clients, including 36 Florida School Districts. A long-term understanding of how the District functions and a familiarity with its risk exposures.
School Districts	Provides brokerage services to over 10,000 public entity clients (\$2 billion in public entity premium & premium equivalents) including 860 educational entities that represent \$500,000,000 in premium equivalents placed, a large number of K-12 educational clients (reference a few educational clients similar in size) - none in Florida noted. Three Florida Charter schools listed.	Handles 5 of the top 10 largest public school districts in the US, 40 of the top 100 districts, provides services to 36 districts in the State of Florida. Places \$1.2 Billion of Public Sector insurance premiums nationwide each year on more than 13,500 clients that includes 4,500 schools (40% of the largest 100 schools)
Florida Clients in Tier 1 Wind & Flood Exposure with values excess of \$1 Billion	Evaluation shows a list of 26 school district clients that participate in the APIP Program (Alliant Property Insurance Program) - no Florida exposure noted.	25-plus Florida Clients and places over \$225 million of commercial catastrophic windstorm property insurance premium, the majority on Florida public entities.
Premium Size	\$11.6 Billion Nationwide	\$32 Billion Globally

Committee Consensus:

Upon conclusion of a question and answer session with both firms, committee members selected AJG as the service provider for brokerage services. Risk Management along with Ben Few & Company (District’s independent insurance consultants) entered into direct negotiations with AJG. Compensation for services rendered will be paid to AJG by carriers/syndicates based upon agreed commissions. Compensation commission levels, as well as a not to exceed pricing/commissions, were established during negotiations.

Staff utilized the chart on the next page to negotiate commissions offered by the selected vendor (AJG).

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Description	Maximum Points	Arthur J. Gallagher	Points Scored	Alliant Insurance Services	Points Scored
Compensation to Proposer					
Property Insurance Placements	3	6.25%	3.0	6.25%	3.0
Ancillary Insurance Placements	3	8.00%	3.0	10.00%	2.4
Compensation to Intermediaries					
Property Insurance Placements	3	5.50%	2.7	5.00%	3.0
US Based Intermediaries	3	4.00%	2.6	3.50%	3.0
Ancillary Placements	3	8.00%	1.9	5.00%	3.0
Total	15		13.2		14.4

Brokers Compensation/Commissions:

Insurance carriers/syndicates are responsible for payment of awardee’s commission/compensation for services rendered to SBBC. As a result of negotiations, property insurance placement commissions will not exceed six-point one hundred and twenty-five (6.125) percent of average annual premium with a not to exceed the cap of \$1,050,000. Ancillary placement commissions will not exceed seven-point seventy-five (7.75) percent of average annual premium with a not to exceed the cap of \$115,000. Intermediary property placement, London five-point twenty-five (5.25) percent of the average annual premium and intermediary domestic placement of three-point eighty-five (3.85) percent of the average annual premium. All other ancillary placement, eight (8) percent of the average annual premium.

Small/Minority/Women Business Enterprise (S/M/WBE) Participation:

Through negotiations, AJG has S/M/WBE participation on this RFP. AJG contacted three (3) S/M/WBE vendors they believe would bring value to the Districts Property and Casualty Program. One (1) S/M/WBE rejected partnering with AJG while the other two (2), Gon Safe, Inc. and Professional Risk Control Consulting Services, LLC have received certification through SBBC’s Supplier Diversity Outreach Program (SDOP), a division of SBBC’s Procurement & Warehousing Services Department. These local S/M/WBE will provide loss control and safety services. These vendors have training and experience warranted for a large program of our size. AJG’s commitment to outsourcing equates to approximately two-point four (2.4) percent of revenue on an annual basis.

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Financial Impact

Forecasted Three (3) Year Premium Projections:

Property insurance renews May 15th All other insurance renews July 1st	PROJECTED* FY 18-19 ANNUAL PX	PROJECTED** FY 19-20 ANNUAL PX	PROJECTED*** FY 20-21 ANNUAL PX	PROJECTED**** FY 21-22 ANNUAL PX	TOTAL FUNDING REQUIRED FOR RFP
Property Insurance including Obtain and Maintain Coverage	SEE NOTE BELOW	\$ 19,223,778.95	\$ 21,338,394.63	\$ 23,685,618.04	
Excess Workers' Compensation Ins	\$ 1,003,964.50	\$ 1,104,360.95	\$ 1,214,797.05		
Excess WC Ins.Px by audit	\$ 82,924.60	\$ 91,217.06	\$ 100,338.77		FY 2018-2019 \$2,056,902.20
Casualty Package Insurance	\$ 729,750.00	\$ 766,237.50	\$ 804,549.38		FY 2019-2020 \$21,437,870.72
Student Catastrophic Acc Ins	\$ 49,566.30	\$ 52,044.62	\$ 54,646.85		FY 2012-2021 \$23,722,969.89
Vet Assisting Students Liability	\$ 3,711.75	\$ 3,897.34	\$ 4,092.20		FY 2021-2022 \$23,685,618.04
Excess Crime Insurance	\$ 47,769.75	\$ 50,158.24	\$ 52,666.15		
AD&D Insurance	\$ 1,076.25	\$ 1,130.06	\$ 1,186.57		
Equipment Breakdown Ins	\$ 61,862.85	\$ 64,955.99	\$ 68,203.79		
Terrorism Ins.,3rd Party liability	\$ 21,525.00	\$ 22,601.25	\$ 23,731.31		
Storage Tank Liability Insurance	\$ 18,352.95	\$ 19,270.60	\$ 20,234.13		
Student Health Prof Liability ins.	\$ 22,858.50	\$ 24,001.43	\$ 25,201.50		
Media Professional Liability ins	\$ 9,975.00	\$ 10,473.75	\$ 10,997.44		
Liability Ins. KCW Parking Lot	\$ 3,564.75	\$ 3,742.99	\$ 3,930.14		
TOTAL ANNUAL PREMIUMS	\$ 2,056,902.20	\$ 21,437,870.72	\$ 23,722,969.89	\$ 23,685,618.04	\$ 70,903,360.85
	*FY 2018-2019 Property increased by 7.5% Workers' Comp increased by 10% Casualty increased by 5%	**FY 2019-2020 Property increased by 11% Workers' Comp increased by 10% Casualty increased by 5%	***FY 2020-2021 Property increased by 11% Workers' Comp increased by 10% Casualty increased by 5%	FY 2021-2022 Property increased by 11%	

NOTE: 18-19 property insurance renews on May 15, 2018 and is included in RFI 14-063P.

SBBC's Total Insured Values as of 2018-2019

Property	2018-2019
Building Values (includes additions/deletions during policy year)	\$6,127,891,401
Outdoor Property	\$220,904,813
Contents including Furniture, Fixtures, Equipment (Includes additions/deletions during policy year)	\$859,253,673
Mobile Equipment (including tractors, movers, etc.)	\$7,000,000
Data Processing Values (includes hardware, Software and Extra Expenses)	\$50,000,000
Auto Fleet Physical Damage	\$115,014,054
Total Insured Values	\$7,380,063,940

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Listed below are Insurance coverages to be secured by the selected Brokers:

Casualty Lines of Insurance/Coverage:

<u>#</u>	<u>Description</u>	<u>Coverage/Limits</u>
1	EXCESS GENERAL LIABILITY & AUTO	No Aggregate
		\$700,000 per Occurrence
		\$300,000 Retained Limit
		<u>Employee Benefits Liability</u>
		\$1,400,000 Aggregate
		\$700,000 per Occurrence
2	EXCESS PROPERTY	\$200,000,000 Aggregate
		\$200,000,000 per Occurrence
		<u>Deductibles</u>
		\$75,000,000 Hurricane
		\$1,000,000 Named Storm
		\$500,000 All Other Perils
3	TERRORISM PROPERTY	\$50,000,000 Aggregate
		\$50,000,000 per Occurrence
		\$100,000 Deductible
4	OBTAIN AND MAINTAIN	\$10,000,000 Aggregate
		\$10,000,000 per Occurrence
		\$2,500,000 Deductible
5	SCHOOL BOARD E&O	\$2,100,000 Aggregate
		\$700,000 per Occurrence
		\$1,400,000 Aggregate Sexual Abuse
		\$700,000 per Occ. Sexual Abuse
		<u>Deductibles</u>
		\$300,000 each Wrongful Act
		\$300,000 each Employment Practices Violation
		\$300,000 Sexual Harassment
		\$300,000 Sexual Abuse
6	LAW ENFORCEMENT ACTIVITIES	\$2,100,000 Aggregate
		\$700,000 per Occurrence
		\$300,000 Retained Limit
7	TERRORISM LIABILITY	\$2,000,000 Aggregate
		\$1,000,000 Occurrence
		\$10,000 Deductible

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<u>#</u>	<u>Description</u>	<u>Coverage/Limits</u>
8	CYBER LIABILITY	\$10,000,000 Aggregate
		\$10,000,000 Occurrence
		\$250,000 Deductible
9	MASTER BUILDERS' RISK	\$50,000,000 Aggregate
		\$50,000,000 Occurrence
		\$2,000,000 Minimum Deductible Named Windstorm
		\$20,000 Deductible All Other Damages
		\$150,000 Deductible Defects Liability
10	STUDENT MALPRACTICE	\$6,000,000 Aggregate each School
		\$1,000,000 Occurrence
		No Deductible
11	ACCIDENTAL DEATH & DISMEMBERMENT	\$192,456 Accidental Death Benefit
		\$63,854 AD&D in the Line of Duty
		All Law Enforcement are Eligible
		Sub limits Apply
12	STUDENT ACCIDENT	\$6,000,000 Accidental Medical Expense
		\$500,000 Catastrophic Cash Benefit
		\$25,000 Deductible
		Sub limits Apply
13	TULIP – GENERAL	\$1,000,000 Products Completed Aggregate
		\$1,000,000 Each Occurrence
		\$500,000 Damage to Premises Rented to You
14	TULIP – PROPERTY	\$1,000,000 Third Party Property Damage
		\$1,000 Deductible
15	STORAGE TANK LIABILITY	\$1,000,000 Limit per Incident
		\$4,000,000 Aggregate
		\$5,000 Deductible
16	BOILER & MACHINERY	\$100,000,000 Limit per Breakdown
		\$10,000 Combined Deductible
17	CRIME	
	<u>Insuring Agreement</u>	<u>Limits</u>
	Public Employee Dishonesty	\$5,000,000
	Faithful Performance of Duty	\$5,000,000
	Forgery or Alteration	\$1,000,000

	Theft, Disappearance, and Destruction	\$50,000
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<u>#</u>	<u>Description</u>	<u>Coverage/Limits</u>
	Robbery and Safe Burglary	\$50,000
	Computer Systems Fraud	\$5,000,000
	Specific Excess Form O - 11 Positions	\$10,000,000
18	EXCESS WORK COMP	Each Accident
		WC - Statutory
		Employers Liability - \$1,000,000
		Each Employee for Disease
		WC - Statutory
		Employers Liability - \$1,000,000
		SIR - \$1,500,000

Global Market Outlook/ Premium Projections:

This past hurricane season has been one of the most active and financially disruptive in history. Market corrections are anticipated given insurance industry losses which are estimated to exceed \$100 billion. Insureds will see upward pressure for rates on catastrophic tier-one wind coverage as well as all other lines of coverage. SBBC has cataloged positive differentiators in our risk profile which sets this organization apart from insureds similar in size. Rates for some organizations are forecasted to potentially rise by ten (10) percent to twenty (20) percent. SBBC's ability to avoid rate increases upon renewal may not be possible for tier-one wind coverage. The ability to minimize drastic rate increases, in short to intermediate term, will be aggressively pursued based upon SBBC's excellent property loss history.