

Property and Casualty Insurance Follow-up Report

November 16, 2016



OIG NEW ORLEANS OFFICE OF
INSPECTOR GENERAL

Ed Quatrevaux, Inspector General

November 16, 2016

Re: Property and Casualty Insurance Follow-up Report

I certify that the inspector general personnel assigned to this project are free of personal or other external impairments to independence.



E.R. Quatrevaux
Inspector General

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The Office of Inspector General (OIG) conducted a follow-up to its April 2012 report, “Evaluation of City Property and Casualty Insurance Program.” The original report identified the following findings:

- The statement of values (i.e., the list of insured properties) for the City’s master property insurance policy was out of date and contained errors and deficiencies.
- The City purchased separate property insurance policies for the Mahalia Jackson Theater and a vacant parcel of land without justification.
- The City did not manage the producer of record contract to maximize the value of the producer’s services or provide sufficient oversight to ensure that work was commensurate with the fees.¹
- The selection process for a producer of record did not generate price competition.
- Members of the selection committee did not explain the reasons for their proposal ratings.

Evaluators made five recommendations to improve management of the property and casualty program and procurement of producer of record services.

The objective of this follow-up report was to determine the extent to which the City implemented OIG recommendations. The scope of the follow-up included the City’s property and casualty and flood insurance coverage in effect for all or any portion of 2014 and 2015. Evaluators also reviewed requests for proposals (RFPs) issued by the City for producer of record services since 2011.

Evaluators conducting the follow-up found that the City made improvements to its property and casualty insurance program since hiring a Risk Manager in June 2014. Specifically, the City:

- secured recertification of the Insurance Commissioner’s Certification (ICC) for property and flood insurance coverage, consistent with the requirement of the Stafford Act;
- corrected formatting problems and completed missing information on the statement of values identified in the original report;

¹ The term “producer of record” refers to a licensed insurance agent or company authorized by the City to represent, place, and service insurance coverage on behalf of the City.

- issued two RFPs for producer of record services that included cost as a selection criterion; and
- refined its RFPs to improve the selection committee's ability to evaluate and compare proposer qualifications and performance history.

However, evaluators found that the City did not develop a complete and accurate statement of values or obtain appraisals on any insured properties. The accuracy of property values and building construction information play an important role in marketing the City's property to the insurance markets. Successful completion of these tasks could allow the City to achieve additional savings on insurance premiums.

In addition, evaluators found that the City did not add objective, measurable, and appropriate performance standards and effective reporting mechanisms to improve oversight of the producer of record contract.

I. OBJECTIVES, SCOPE, AND METHODS

The Office of Inspector General of the City of New Orleans (OIG) conducted a follow-up to its “Evaluation of City Property and Casualty Insurance Program” (April 2012). The objective of the follow-up was to determine if the City implemented OIG recommendations to improve management of the property and casualty insurance program.

The scope of this follow-up report included the City’s property and casualty and flood insurance coverage in effect for all or any portion of 2014 and 2015 and all requests for proposals (RFPs) issued by the City for producer of record services since 2011.

Pursuant to Sections 2-1120(12) and (20) of the Code of the City of New Orleans and La. R.S. 33:9613, evaluators interviewed personnel and obtained documents from the City’s Risk Management Department, Bureau of Purchasing, and producers of record. In addition, evaluators obtained information from the Louisiana Governor’s Office of Homeland Security and Emergency Preparedness (GOHSEP). Specifically, evaluators reviewed the following records:

- statement of values for 2014 and 2015;
- property and casualty and flood insurance policies in effect for all or part of 2014 and 2015 and insurance premium payment records for 2014 and 2015;
- producer of record invoices and payment records for 2014 and 2015; and
- RFPs, proposals, scoring sheets, meeting minutes, protest letters, and signed contracts in response to RFPs issued in May 2012 and November 2014.

This follow-up was performed in accordance with Principles and Standards for Offices of Inspector General for Inspections, Evaluations, and Reviews.²

² Association of Inspectors General, “Quality Standards for Inspections, Evaluations, and Reviews by Offices of Inspector General,” *Principles and Standards for Offices of Inspector General* (New York: Association of Inspectors General, 2014).

The Office of Inspector General (OIG) conducted a follow-up to its April 2012 report, “Evaluation of City Property and Casualty Insurance Program.” The original report identified the following findings.

- The statement of values (i.e., the list of insured properties) for the City’s master property insurance policy was out of date and contained errors and deficiencies.
- The City purchased separate property insurance policies for the Mahalia Jackson Theater and a vacant parcel of land without justification.
- The City did not manage the producer of record contract to maximize the value of the producer’s services or provide sufficient oversight to ensure that work was commensurate with the fees.³
- The selection process for a producer of record did not generate price competition.
- Members of the selection committee did not explain the reasons for their proposal ratings.

Evaluators made five recommendations to address these and other deficiencies found during the course of the project. The purpose of this follow-up was to determine the extent to which the City implemented the recommendations from the original report. In addition, evaluators sought to determine whether deficiencies identified in the original report still existed.

OIG evaluators were greatly assisted in the preparation of this report by the full cooperation of City employees and officials and the City’s producers of record.

³ The term “producer of record” refers to a licensed insurance agent or company authorized by the City to represent, place, and service insurance coverage on behalf of the City.

III. FOLLOW-UP ON RECOMMENDATIONS

The City's property and casualty insurance program is a critical component of its overall risk management efforts. The City purchased insurance policies through a producer of record to protect itself from economic loss as a result of damage to City property from fire, wind, flood, and other causes. Insurance premiums and service fees for the producer of record cost the City approximately \$2.2 million in 2015 to cover city properties valued at approximately \$813 million.⁴

Evaluators found that the City made improvements to the property and casualty insurance program since the original report was issued. Beginning in June 2014, the current Risk Manager took several steps to rebuild the City's risk management program by selecting a new producer of record, confirming the City complied with City and FEMA insurance requirements, and updating the statement of values used to purchase insurance.⁵ However, there were still some unresolved deficiencies.

Recommendation 1: The City should request a review of its property and flood insurance program to verify the City's continued eligibility for Stafford Act waiver certification.

Recommendation Rejected by the City. "The Risk Manager develops a FEMA Insurance Obligations and Waiver Worksheet annually, which confirms that the City remains in compliance with the waiver requirements and no other certification is needed. We have confirmed this practice and our compliance with the Governor's Office of Homeland Security. Therefore, there is no need for the City to request recertification of the waiver from the Commissioner of Insurance at this time."

Follow-up 1: The City secured Insurance Commissioner's Certification for property and flood insurance coverage.

⁴ Evaluators did not include ancillary insurance policies such as various liability and equipment policies in this calculation.

⁵ The City's Risk Management Department experienced staff turnover since the original report was issued in April 2012. The Risk Manager who led the department during the period reviewed in the original report departed the City in May 2012 and was replaced by an interim Risk Manager until August 2013. The City's current Risk Manager began in June 2014.

The Federal Emergency Management Agency (FEMA) Public Assistance program, established under the Stafford Act, requires organizations that received FEMA assistance after a disaster to meet certain requirements in order to be eligible for future assistance.⁶ One condition for future assistance is that an organization obtain and maintain insurance to protect against future property damage and loss from the same types of hazards.⁷ The City met this requirement by purchasing two types of insurance: flood insurance through the National Flood Insurance Program (NFIP) and commercial property insurance.

FEMA requires organizations to purchase insurance for disaster risk but the regulations acknowledge that insurance costs and availability in high-risk areas may inhibit an organization from meeting the insurance requirements. In these cases FEMA does not require “greater types and amounts of insurance than are certified as reasonable by the State Insurance Commissioner.”⁸ This certification, called the Insurance Commissioner’s Certification (ICC), declares that the organization allocated a reasonable portion of its operating budget towards purchasing property insurance.⁹ Receipt of an ICC makes an organization eligible for future assistance from FEMA.

The City relied heavily on the FEMA Public Assistance program to repair damage to City-owned property after Hurricane Katrina. OIG evaluators who reviewed the City’s property and casualty insurance program in 2012 found that more than four years had lapsed since the Louisiana Insurance Commissioner and Governor’s Office of Homeland Security and Emergency Preparedness (GOHSEP) reviewed the City’s insurance program and issued an ICC. Although FEMA regulations did not require an annual review to maintain eligibility for federal assistance, evaluators recommended that the City obtain a review to ensure continued eligibility.

The City rejected the recommendation to obtain an updated ICC and stated that it maintained eligibility by completing a worksheet that showed the City spent the minimum 0.33 percent of the operating budget on insurance. This process did not include a mechanism to verify that City-owned buildings had appropriate property and flood insurance coverage.

⁶ 42 U.S.C. 5121 *et seq.*

⁷ 44 C.F.R. §206.252-253.

⁸ 44 C.F.R. §206.252(d).

⁹ The Louisiana Commissioner of Insurance requires that Louisiana local governments spend a minimum of 0.33 percent of their annual operating budget on insurance premiums. The City spent 0.37 percent on property and flood insurance in 2015.

Between 2011 and 2015, the City repaired or rebuilt 76 buildings using funds obtained from the FEMA Public Assistance Program. In light of these changes, the current Risk Manager requested that GOHSEP review the City's insurance to ensure compliance with FEMA regulations.¹⁰ The City started an ICC application in 2014 but did not complete it until fall 2015 because several of the repaired buildings needed elevation certificates and flood insurance. After obtaining additional flood policies, the Risk Manager worked with the producer of record and GOHSEP to complete the application. In June 2016 the Louisiana Commissioner of Insurance issued the City an updated ICC.¹¹

Recommendation 2: The City should take the necessary steps to develop an up-to-date and accurate statement of values for its master property insurance coverage.

Recommendation Accepted by the City. "...[D]evelopment of a comprehensive Statement of Values is currently underway and is a two-step, collaborative effort between the Risk Management Unit, Property Management, Capital Projects and Information Technology and Innovation (ITI). The first step involves identifying and electronically cataloging all properties including land, buildings, leases and servitudes owned by the City of New Orleans should be completed by August 2012. The second step involves a full assessment and/or appraisal of value for each property owned by the City, and has an expected date of completion of December 2013."

Follow-up 2: The City and its producers of record added information to the statement of values but deficiencies still existed. The City did not obtain appraisals of its properties.

Insurers rely on a statement of values (SOV) to model risks, estimate potential exposure and losses, and determine insurance premium costs. In 2012 evaluators found that information on the City's SOV was not updated to reflect the condition of buildings after Hurricane Katrina. City officials acknowledged that the SOV contained many deficiencies such as data entry errors, lack of organization,

¹⁰ Federal regulations (44 C.F.R. §206.253(f)) allow FEMA to rescind assistance funding if the requirement to purchase insurance was not met.

¹¹ The Risk Manager stated that he hoped to obtain another review of the City's ICC compliance in 2017.

inconsistent formatting, and missing construction information.¹² Evaluators recommended that the City take two steps to improve the SOV:

1. Correct errors, insert missing information, and fix formatting problems.
2. Incorporate detailed building information such as construction date, materials, roofing characteristics, and current building value.

ERRORS IN THE STATEMENT OF VALUES

The City stated that it would correct errors in the SOV and standardize the format to ensure it included the required information needed for an insurance broker to market the City's master property program effectively. In 2013 the City started using a comprehensive SOV template developed by Arthur J. Gallagher & Co. (Gallagher), the incumbent producer of record. This template added additional variables (e.g., building characteristics and windstorm information) that were not included in the SOV reviewed in the original report.¹³ The Gallagher team took charge of completing the SOV by reviewing all properties, contacting City departments for data, and researching buildings to find additional information.¹⁴

Evaluators compared the City's SOVs from 2014 and 2015 to the SOV from the original report to determine completeness and accuracy. This analysis showed that the City provided information identified as missing in the original report (e.g., location name and a complete address) by 2015. Evaluators examined five required variables on the SOV for completeness: zip code, construction code, building value, contents value, and fixed equipment value.¹⁵ These variables are required for the risk modeling system used by insurance carriers when quoting accounts. Modeling results are negatively impacted when those variables are incomplete, thus driving up cost.¹⁶ As shown in Figure 1, more than 70 percent of properties listed on the City's SOV did not have construction codes.

¹² In 2010 the producer of record's wholesale insurance broker provided the City with an SOV template outlining the necessary information and how to organize it. However, the City had not corrected or completed the SOV at the time of the original report.

¹³ See Appendix A for a list of variables on the SOV.

¹⁴ According to Gallagher, City departments such as Property Management and Capital Projects did not have complete information (e.g., year built and renovation date) for all City-owned buildings. Gallagher completed the SOV using available data but acknowledged that additional work was needed.

¹⁵ Contents value and fixed equipment value were 100 percent complete on the SOV.

¹⁶ Gallagher stated that the model previously defaulted to an average value for a required variable that was empty. Over the last 7 to 10 years, the model changed to default to the worst value possible for the missing variable.

Figure 1. Percentage of Properties with Incomplete Information on Statement of Values (SOV)

SOV Variable	2014	2015
Zip Code*	0.12%	2.6%
Construction Code*	74%	71%
Building Value*	3.9%	2.6%

*Indicates required field

Evaluators identified additional deficiencies in the 2014 and 2015 SOVs. For example, some buildings had incorrect addresses, and the SOV and flood insurance declaration contained different building names. Windstorm information was incomplete for more than 70 percent of the properties. The Risk Manager acknowledged these issues and noted that he continued to work with the producer of record to update the SOV.

APPRAISALS OF CITY-OWNED BUILDINGS

Although the City stated it would obtain appraisals of all its properties by December 2013, evaluators found that no appraisals had been conducted since the original report was issued. As a result, building values on the SOV reflected historical values, even for repaired buildings.¹⁷ Data from the appraisals would confirm and complete missing data in the SOV, such as building square footage, construction, windstorm information, risk abatement systems, occupancy, and estimated replacement cost.

The Risk Manager agreed that the City needed professional appraisals but did not have the funds available to obtain appraisals for all buildings. He estimated the cost for appraisals on all City property to be in the “low six figures.”¹⁸ At the time of the follow up, the Risk Manager stated that he was working with the producer of record and insurance carriers to obtain some appraisals at no cost to the City. The Risk Manager also noted that he was prioritizing older, high-value properties and buildings with values that appeared to be inconsistent with building characteristics.

¹⁷ According to the Risk Manager, building replacement costs listed on the SOVs were estimated using a formula that considered the building’s square footage, labor costs, and construction materials. However, the building’s market value might differ markedly.

¹⁸ The Risk Manager did not request or receive funds for appraisals in the 2017 budget.

Recommendation 3: The City should develop a risk management plan for the property and casualty program.

Recommendation Accepted by the City. "The City will form an internal working group to develop a risk management plan for the property and casualty program that will include the risk philosophy and risk tolerance of the City. The working group will look to GFOA and other comparable institutions for guidance and standards to assess for use by the City."

Follow-up 3: The City developed guidance on approaches to risk management and responding to property loss and injury for city departments but did not include safeguards against the purchase of separate policies without sufficient documented justification.

In 2012 evaluators found that the City did not have a plan for managing property and casualty risks. In addition to the master property policies, the City maintained separate policies on the Mahalia Jackson Theater and a vacant parcel of land (Lincoln Beach) without sufficient justification. Evaluators concluded the City did not have a comprehensive risk management strategy aside from the need to maintain flood insurance coverage for ICC waiver certification.

Following the OIG's initial evaluation, the City learned it was contractually obligated to maintain separate property insurance policies for the Mahalia Jackson Theater as part of its agreement with the facility's management company. The City determined there was no justification for the policy for Lincoln Beach, and it was not renewed.

Evaluators conducting the follow-up found that the city developed risk management guidance for all city departments. The guidance incorporated principles from the Government Finance Officers Association (GFOA) best practices for creating a risk management program.¹⁹ The mission of the City's risk management program was to preserve city assets by identifying and evaluating risk, and controlling exposure to losses through various approaches to risk management and procedures for responding to property loss or injury.

¹⁹ GFOA recommends five steps that should be included in a risk management program: identify risks, evaluate risks, develop measures to treat risks, implement and finance risk management, and perform program review.

Applicable state and federal laws and regulatory agency requirements, such as FEMA directives, drove decisions about property and casualty insurance needs. The City managed property and casualty risk by working with a producer of record to identify insurance needs and purchasing the broadest amount of insurance available through a blanket property policy and NFIP flood insurance. Evaluators did not find any additional insurance policies that appeared inconsistent with this approach to managing property and casualty risks during the follow-up.²⁰

However, the City did not have a formal process for documenting and authorizing requests for property insurance outside the scope of the statement of values. Without an internal control process, it would be possible for potentially costly additional policies to be purchased without documented justification and oversight.

The City should institute an internal control process for the authorization and purchase of additional insurance policies to ensure the policies are necessary and consistent with the City's overall approach to risk management.

Recommendation 4: The City should develop a new request for proposals for a producer of record contract.

Recommendation Accepted by the City. "The City will develop a new RFP for a Producer of Record contract. The RFP will be released on or about April 25, 2012."

Follow-up 4: The City issued requests for proposals to obtain services from a producer of record.

Until August 2011, state law prohibited local governments from awarding fee-based contracts to insurance producers of record in lieu of commissions. As a result, the City solicited proposals from producers of record using requests for qualifications (RFQs) because the RFQs did not include cost as an evaluation criterion.

After the law was changed, the City tried to renegotiate its existing contract as a fee-based contract with the incumbent producer of record (BRK Insurance Group LLC) rather than issue a request for proposals (RFP) that included cost as an

²⁰ The City maintained a limited number of non-property and casualty insurance policies such as various liability and equipment policies at a cost of \$207,470.

evaluation criterion.²¹ Evaluators recommended that the City develop and issue an RFP for producer of record services.

The City issued an RFP in May 2012, approximately one month after the OIG issued its original report. The City issued another RFP in November 2014 because the Risk Manager wanted to encourage competition for producer of record services and concluded that the City needed “new eyes” to handle property and casualty insurance. Figure 2 shows the contractors that have provided the City with producer of record services since 2009.

Figure 2. City of New Orleans Producers of Record since 2009

Dates	Producer of Record	Cost ²²
2009 – 2012	H&G/BRK Insurance	\$80,000
2013 – 2014	Arthur J. Gallagher Risk Management Services, Inc	\$50,000
2015 – present	McGriff, Seibels & Williams of Louisiana, Inc.	\$75,000

In addition to recommending that the City issue an RFP for producer of record services, the original report included suggestions about how the City could improve the procurement process. Evaluators who performed the follow-up reviewed the RFPs and related documents to determine whether the City incorporated suggestions from the original report.

The RFPs solicited competitive prices for a fee-based contract.

The RFPs issued by the City added cost to the selection criteria to generate price competition. Applicants submitted a separate price proposal that the selection committee reviewed after ranking proposals based on technical criteria such as specialized experience and qualifications. The RFPs instructed applicants to submit a cost proposal based on hourly billing rates and estimated hours in order

²¹ Employees of BRK Insurance Group LLC provided the City with producer of record services since at least October 2009. In January 2011 BRK Insurance Group LLC submitted a proposal in response to an RFQ issued by the City and received the highest ranking by the selection committee tasked with evaluating proposals. The City did not award a contract at the conclusion of this process at the OIG’s request. In September 2011 the Risk Manager stated that the City was attempting to negotiate a fee-based contract with BRK Insurance Group LLC.

²² The producer of record also received estimated flood commissions of \$60,000 for the placement of insurance. The flood insurance company directly paid the producer of record flood insurance commissions.

to establish an annual fee. This information would enable the selection committee to compare level of effort for specified tasks and deliverables. As shown in Figure 3, cost was added to the RFP as a selection criterion.

Figure 3. Changes between RFQ and RFPs for Producer of Record

Criteria	Weight	
Specialized experience and technical competence	45%	
Qualifications, staffing, specialized experience available technology or related tools/reference programs and technical competence		25%
Performance history, including without limitation, competency, responsiveness, cost control, work quality, in-house staffed support services, and the ability to meet schedules and deadlines.	40%	25%
Willingness to promote full and equal business opportunities in accordance with the City’s State-Local Disadvantaged Business Enterprise Program	10%	15%
Maintenance of an office, residence or domicile in Orleans Parish, to the extent permitted by law	5%	15%
Cost		20%

The RFPs included clear standards to evaluate and compare proposers’ qualifications.

In 2012 evaluators found that the selection committee’s scores for proposers’ qualifications and performance history did not vary considerably, indicating that the committee did not find significant differences among competing firms. Evaluators suggested that the City refine its solicitations to allow the selection committee to identify which proposal represented the best overall value.

Evaluators reviewed RFPs issued by the City in 2012 and 2014 and found that the City added a criterion to weigh proposers’ qualifications, staffing, and access to technology (see Figure 3). In addition, the RFPs included an attachment that required proposers to verify that they had direct access to certain insurance providers. These changes improved the selection committee’s ability to determine which firm’s proposal offered the best value.

Most members of the selection committee adhered to the instructions in Executive Order MJL 10-05 that required explanations of numerical scores.

In the original report, evaluators found that members of the selection committee did not provide sufficient explanations for their ratings as required by Executive Order MJL 10-05.²³ Several examples of written explanations did not relate to applicants' qualifications or performance history, and scores were not clearly related to objective differences between proposals.

The 2012 RFP instructed members of the selection committee to use a qualitative scoring method to evaluate and rank proposals.²⁴ Two committee members used the qualitative criteria as instructed, but two other committee members used a numeric grading system, and one committee member used a combination of both systems to rate the proposals. Even though not all selection committee members used the same rating system, four out of five provided a written assessment that explained their rating.

The 2014 Selection Committee evaluation form instructed the selection committee to use a numerical grading system to evaluate and rank proposals. Evaluators found that all committee members correctly used the numeric grading system, and four out of five also provided a written explanation for their rating. One member of the selection committee did not include a written explanation for each criterion. For those instances with an explanation, the brevity of the written explanations would not make it possible for an external reviewer to understand how the score related to the corresponding criteria.

²³ According to Executive Order MJL 10-05, "such criteria, as advertised in an RFP or RFQ, may either utilize a numerical grading system with explanations for the rating or a wholly qualitative evaluation system. Regardless of which system is used, the Selection Committee shall state the reasons for its rating. All members of the Selection Committee shall complete an individual evaluation which shall be compiled to produce a composite rating."

²⁴ Rating choices were Highly Advantageous, Advantageous, Acceptable, and Unacceptable.

Recommendation 5: The City should improve oversight of the producer of record and should include clear performance standards in the contract.

Recommendation Accepted by the City. "The City will include performance standards in the RFP and these items will become a part of the contract upon execution."

Follow-up 5: The City did not add performance standards and effective reporting mechanisms to improve oversight of the producer of record contract.

In 2012 evaluators found that the City did not evaluate the producer of record's performance, nor did the contract include mechanisms to track and manage contractor performance. Under the 2011 contract, BRK Insurance Group invoiced the City the same amount each month without explanation or details of the work performed. Both the City and producer of record ignored the requirement that the contractor submit monthly invoices detailing the services provided in connection with the agreement. Evaluators recommended that the City improve its oversight of the producer of record contract by incorporating effective performance standards and reporting mechanisms.

REPORTING MECHANISMS

The City stated that it would require the producer of record to provide detailed information on monthly invoices such as the services provided and the number of hours worked. Evaluators who performed the follow-up reviewed invoices submitted under the terms of the City's 2012 contract with Gallagher and found mixed results. Invoices were submitted monthly as required but invoices for 2013 and the first quarter of 2014 did not include details about services provided, staff performing the service, hours worked, and delivery of projects to the City. The monthly invoices simply listed an "agency fee" and amount owed.

Beginning in April 2014, Gallagher submitted invoices detailing hours worked and the hourly rate charged to the City. In July 2014, Gallagher started submitting detailed invoices, including a description of services provided, in accordance with contractual requirements.

Evaluators found that the improvements made in 2014 were short-lived: the City did not effectively manage the reporting requirements in its 2015 contract with

McGriff, Seibels & Williams of Louisiana, Inc. (McGriff). McGriff did not meet its contractual requirements to submit detailed, itemized monthly invoices including completed or pending tasks, and policies quoted and/or placed. Instead, it submitted a single invoice at the end of the year for the maximum amount of the contract. In addition, the invoice was not signed by an authorized representative of the producer of record, as required by the contract.

PERFORMANCE STANDARDS

In 2012 the City stated it would include performance expectations in future solicitations and contracts for producer of record services. Evaluators found that the City did not effectively implement this recommendation because many of the performance standards lacked specificity and were not tied to financial penalties. For example, the City's RFPs and contracts required the producer of record to provide information in a "timely" manner but did not define what timeframe qualified as "timely." The lack of specificity made it less likely that the City could effectively manage the producer of record contract.

Evaluators asked the Risk Manager to provide examples of performance standards that would be useful for evaluating the producer of record's performance. The Risk Manager described activities such as saving the City money on insurance premiums, surveying properties, and providing evidence that the City was being actively marketed to insurance providers.²⁵ The City should review these measures to ensure they are objective, measurable, and appropriate. If so, they could be tied to penalty/incentive mechanisms and incorporated into future RFPs and contracts for producer of record services.

²⁵ Between 2014 and 2015, the total value of insured City property increased from \$804 million to \$813 million. Despite this increase, the City's property insurance premiums decreased 8 percent from approximately \$1.57 million to \$1.45 million.

IV. CONCLUSION

Evaluators provided the City with five recommendations to improve management of the property and casualty insurance program. Three of the recommendations focused on components of the insurance program that ensured the City was compliant with applicable laws and regulations and had accurate information to secure insurance. Two recommendations were designed to improve procurement and oversight of the City’s producer of record. As shown in Figure 4, evaluators found that the City fully implemented two of the recommendations, and partially implemented two of the recommendations; the City did not implement one of the recommendations.

Figure 4. Summary of Follow-up Findings

Recommendation	Accepted	Follow-Up	Met
The City should request a review of its property and flood insurance program to verify the City’s continuing eligibility for Stafford Act Waiver Certification.	No	The City received Stafford Act Waiver Certification for insurance coverage.	Yes
The City should undertake the necessary steps to develop an up-to-date and accurate statement of values for its master property insurance coverage.	Yes	The City and producers of record added information to the statement of values but deficiencies still existed. The City did not obtain appraisals of its properties.	Partial
The City should develop a risk management plan for the property and casualty program.	Yes	The City developed guidance on approaches to risk management and responding to property loss and injury for city departments but did not include safeguards against the purchase of separate policies without sufficient documented justification.	Partial
The City should develop a new request for proposals for a producer of record contract.	Yes	The City issued RFPs to obtain services from a producer of record.	Yes
The City should improve oversight of the producer of record and should include clear performance standards in the contract.	Yes	The City did not add performance standards to the contract to improve oversight.	No

The City made improvements to the property and casualty insurance program since it hired a risk manager in June 2014. The City obtained an updated ICC waiver that will ensure the City is eligible for future federal assistance in the event of a disaster. In addition, the City improved the selection process for producer of record services because it included cost as a factor and members of the selection

committee had more information to evaluate and compare proposer qualifications.

However, the City had not yet developed a complete and accurate statement of values. The accuracy of building construction and value play an important role in marketing the City's property to the insurance market. In addition, professional appraisals of City property could provide missing data for the SOV such as building square footage, construction, protective systems, occupancy and estimated replacement cost. This City should add internal controls to its overall risk management process for the authorization and purchase of additional insurance policies.

APPENDIX A. FIELDS LISTED IN STATEMENT OF VALUES

Statement of Values Fields by Year

2011	2014	2015
<u>Location Information</u>	<u>Location Information</u>	<u>Location Information</u>
Location Number	Location Number	Location Number
Location Name	Location Name	Location Name
Street Name	Street Address	Street Name
City	City	Latitude
State	County	Longitude
Zip Code	State Code	<i>Zip Code*</i>
County	<i>Zip Code*</i>	Occupancy Description
Building Value	Occupancy Code	Link to Photos
Contents Value	Occupancy Description	<i>Construction Code (ISO or RMS)*</i>
Business Interruption Limit	Link to Photos	Construction Description
Total Insured Value	<i>Construction Code (ISO)*</i>	Year Built
Construction Class	<i>Construction Code (RMS)*</i>	Flood Zone
Occupancy Class	Construction Description	NFIP
	Year Built	Year Upgrade
	Year Upgrade	No. of Stories
	No. of Stories	No. of Buildings
	No. of Buildings	Square Footage
	Square Footage	Sprinklered
	Sprinklered	<i>Building Value*</i>
	<i>Building Value*</i>	<i>Contents Value*</i>
	<i>Contents Value*</i>	Business Income
	Business Income	<i>Fixed Equipment*</i>
	<i>Fixed Equipment*</i>	Total Insured Value
	Total Insured Value	
	<u>Windstorm Information</u>	<u>Windstorm Information</u>
	Basement	Basement
	Frame-Foundation Connection	Frame-Foundation Connection
	Construction Quality	Construction Quality
	Shape of Roof	Shape of Roof
	Roof Covering	Roof Covering
	Roof Strapped	Roof Strapped
	Roof Age/Condition	Roof Age/Condition
	Exterior Cladding	Exterior Cladding
	Roof Sheathing Attachment	Roof Sheathing Attachment

* Indicates required field