

**INDIAN RIVER COUNTY  
INTER-OFFICE MEMORANDUM  
OFFICE OF MANAGEMENT AND BUDGET**

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**DATE:** April 12, 2022

**TO:** BOARD OF COUNTY COMMISSIONERS

**THROUGH:** Jason E. Brown, County Administrator

**FROM:** Kristin Daniels, Director, Office of Management and Budget  
Cynthia Stanton, Risk Manager

**SUBJECT:** Self-Insurance Funds and Property and Casualty Insurance Program

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**BACKGROUND:**

In preparation for the May 1, 2022 renewal, staff worked with Arthur J. Gallagher Risk Management Services, Inc. (AJG) to secure the most comprehensive, cost-efficient property and casualty insurance program for the County. The table below summarizes the lines of coverage, limits and renewal costs, followed by the variables impacting the 2022 renewal rates. There was a total overall increase of 14% for the Indian River County insurance renewal.

**Renewal Summary**

<b>Policy Coverage</b>	<b>Policy Limits</b>	<b>Current Premium</b>	<b>Renewal Premium</b>	<b>Premium Increase</b>	<b>Premium Change</b>
Property (Non-Utility)	\$165 Mil*	\$1,351,104	\$1,511,638	\$160,534	12%
Property (Utility)	\$60 Mil*	\$650,004	\$736,424	\$86,420	13%
Flood	Multi	\$8,637	\$9,067	\$430	5%
Equipment Breakdown	\$100 Mil	\$9,827	\$10,750	\$923	9%
Terrorism Property Damage	\$10 Mil	\$16,750	\$17,025	\$275	2%
NCBR PD & Liability	\$10 Mil	\$24,950	\$26,710	\$1,760	7%
Inland Marine	\$20Mil/\$2.5 Mil	\$94,513	\$107,669	\$13,156	14%
Crime	\$1 Mil	\$6,597	\$6,597	0	0%
Public Entity Excess Liability	\$2 Mil/\$4Mil	\$182,100	\$207,500	\$25,400	14%
Excess Workers Comp	Statutory Max	\$229,137	\$290,368	\$61,231	27%
D&B	\$1 Mil	\$30,368	\$42,870	\$12,502	41%
Hull/P&I	\$1 Mil	\$7,761	\$8,288	\$527	7%
Church Parking Lot Liability	\$1 Mil	\$2,087	\$0	Included in PE	-100%
Statutory AD&D	\$75,000	\$6,166	\$12,363	\$6,197	101%
AJG Brokers Fee		\$175,000	\$175,000		0%
<b>Total</b>		<b>\$2,795,001</b>	<b>\$3,162,269</b>		<b>14%</b>

\* Named Storm Limits: Property is \$40 Mil with a deductible of 5% of the building value subject to a max of \$5 Mil per occurrence and minimum of \$100,000. Utilities limit is \$30 Mil with a deductible of 5% of the building value subject to a minimum of \$250,000.

#### **ANALYSIS:**

Attached, please find the detailed Executive Summary prepared by Erica Connick, Account Executive, AJG. Several charts within the Executive Summary detail the various lines of coverage. Major highlights of the renewal are as follows:

Property Program: This is a layered program with multiple carriers. This year we continued to use the same strategy as we have in the past, leverage our direct relationship with Domestic and International markets to create competition. However, the market is still pushing for rate increases and domestic markets are looking to reduce their capacity. Incumbent carrier, Westchester reduced their capacity on the primary layer from 40% to 20% of \$25 million, while AmRisc is seeking a rate increase of 29%. The current renewal quote is \$1,511,638 which is a 12% increase but we are still finalizing the participation for this renewal and feel confident we can get a lower renewal rate. This renewal is not to exceed \$1,511,638. The majority of the limits and deductibles remain unchanged except:

1. Installation Coverage – No coverage, expiring coverage was \$250,000
2. Personal Property outside the U.S.A. - No coverage, expiring coverage was \$250,000
3. Underground Property – No coverage, expiring \$500,000
4. Updated edition dates for Exclusions related to virus, bacteria and/or microorganism
5. May have a few other forms pending final participation negotiations

Utility Property Program: The County's renewal is based on a total insured value of \$248,919,888; a 2.45% increase in values from last year. Starr's renewal proposal is \$736,424; a 13% overall rate increase, all other terms remain as expiring.

Excess Workers Comp: This year the program was marketed to several carriers and the incumbent carrier provided the best renewal quote with a premium increase of \$61,231 or 27% and a retention increase from \$650,000 to \$850,000. All other quotes received included a higher premium increase and retention amounts above \$1,000,000. The following factors effected the renewal increase: The County payroll increased by 5% over the expiring year, the County had several large losses paid-out in the previous year and the market continues to be limited in Florida for public entities that have Police and/or Fire exposures which are subject to the presumption laws.

Inland Marine: The program was marketed to eleven markets and exposure values are up 11.73%. The renewal premium is \$107,669; an increase of \$13,156 or 14% over last year's premium.

Church Parking Lot Liability: This is a stand-alone liability policy to cover any exposures from the use of the church parking lot. The renewal quote was \$2,404 or 9% increase. After reviewing the original lease agreement, it was determined we could satisfy our insurance obligation by adding the Church as an additional insured on the Public Entity Policy, with no additional cost. The stand-alone policy will not be renewed, providing a premium savings of \$2,404.

Statutory AD&D: The renewal premium is a two-year contract with annual installments of \$12,363, which is a \$6,197 or 101% increase from expiring year. The following factors effected this year's renewal: this policy paid a statutory benefit of \$75,000 in 2021 and total premiums paid over the last

five years totaled \$55,464, resulting in a \$20,000 premium loss to the carrier; IRC's first responder exposure increased by 42% due to staff increase from last year.

**FUNDING:**

The County's property and casualty coverage is funded through the Self Insurance Fund (502).

This is an Internal Service fund that is supported by charges to operational funds of the County.

The current fiscal year's portion of the proposed premium will be funded from account number 50224613-034590 (Self Insurance Fund - Other Insurance). Since the insurance program renews mid-year and encompasses two fiscal years, an increase in funding for the upcoming fiscal year will be necessary to fund the overall 14% in premium increases. Since the Self Insurance Fund is supported by all other departments, the premium costs are distributed across all County departments.

**RECOMMENDATION:**

Staff recommends that the Board approve the proposed renewal and authorize staff to bind coverage for May 1, 2022 through April 30, 2023 with a current annual premium of \$3,162,269. The renewal premium is based upon the current schedule of values, coverage selections and includes the annual broker fee of \$175,000.

**ATTACHMENT:**

AJG Executive Summary