

Indian River County Board of County Commissioners

Executive Summary

Arthur J. Gallagher Risk Management Services, Inc. appreciates the opportunity to present this proposal for your consideration.

We are very pleased to present Indian River County BOCC with a comprehensive property and casualty insurance proposal effective May 1, 2017 – May 1, 2018.

Market Conditions

The insurance marketplace in the 1st Quarter of 2017 remains stable and competitive with the notable exception of the Executive Lines and Cyber market place.

1. On average, property renewals in Florida for large municipal insurance schedules have ranged from 0-5% rate reductions depending upon account specific loss activity.
2. The market for General Liability is relatively flat and Auto Liability Coverage average rate increases from 5-10%
3. The Workers Compensation market has had significant Florida Supreme Court rulings that will have long term effects on claims cost and premiums. NCCI approved a rate increase in December 2016 for 14.5%. Public Entities may be facing additional cost increases in future years if senate bill 158 is passed in 2017, which would create cancer presumption for firefighters.

Current Property Insurance Program

Indian River County's current property insurance program is based on total insurable values of \$352,048,567 and provides a program limit of \$200 million with \$40 million for Named Windstorm Coverage, \$25 million each for Flood and Earthquake Aggregate Annually except \$10 million for Special Flood Hazard Area. The policy deductible is \$100,000 with a 5% Named Windstorm with a maximum per occurrence of \$5 million. The current total annual premium, including assessments is \$948,474 with a rate per \$100 in values of \$.2694 excluding terrorism coverage.

The County's total insurable values for the 2017-18 renewal increased from \$352,048,567 to \$365,509,174, a total increase of 3.82%.

Catastrophe Model

In order to assist in selection of an appropriate named windstorm limit of insurance, we have included the windstorm catastrophe model.

Critical Prob.	Return Period	RMS VERSION 11 (2013)		RMS VERSION 15 (2016)		RMS VERSION 16 (2017)	
		Ground Up	Gross Loss	Ground Up	Gross Loss - 5%	Ground Up	Gross Loss - 5%
0.10%	1,000	\$ 80,633,330	\$73,681,555	\$ 73,662,617	\$ 68,606,598	\$ 65,545,362	\$ 60,595,841
0.20%	500	\$ 61,388,653	\$55,425,938	\$ 55,525,565	\$ 50,773,242	\$ 47,306,076	\$ 42,707,226
0.40%	250	\$ 44,226,431	\$39,260,026	\$ 39,217,151	\$ 34,925,640	\$ 31,779,410	\$ 27,927,075
1.00%	100	\$ 25,048,777	\$21,353,155	\$ 21,041,344	\$ 17,597,059	\$ 15,790,690	\$ 12,943,675
2.00%	50	\$ 13,488,945	\$10,697,408	\$ 10,534,676	\$ 7,852,447	\$ 7,341,869	\$ 5,150,933
5.00%	20	\$ 3,336,174	\$ 1,532,121	\$ 2,267,542	\$ 508,597	\$ 1,396,061	\$ 0
AAL			\$ 984,096	\$ 755,490	\$ 803,892	\$ 617,512	\$ 466,262

As discussed during our pre-renewal meeting, we recommend the County obtain an appraisal to obtain accurate values as well as additional data with respect to construction. This additional data will help with your model results and will assist the carriers in the future at providing the County with competitive rates. This year we did reformat your statement of values and scrubbed the data which resulted in 19% decrease in model results.

2016 Marketing Results – Coverage Terms

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In 2016 we approached 25 markets on your behalf and were successful in negotiating the following terms:

1. 7% rate decrease
2. Rate agreement for your 2017 Property renewal contingent on a loss ratio not to exceed 40%
3. Increased Named Storm limit from \$35 million to \$40 million
4. Reduced all perils deductible from \$250,000 to \$100,000
5. Deleted exclusion for Flood Zone V
6. Moved the County's coverage from carrier specific to manuscript property coverage form. The form is tailored to public entities and grants additional coverage enhancements and improved coverage wording to the County.

Overview of 2017 Property Renewal

In 2016 the County has submitted a claim for Hurricane Mathew which currently exceeds the 40% loss ratio the rate agreement was subject to. The claim is still in its early stages and the adjuster is still collecting data to properly value the claim and still needs to evaluate coverage. As a result, we approached your incumbent markets early to determine if they would agree to the rate agreement in place. All carriers have agreed and the County's 2017 renewal premium is \$984,738 including surcharges and fees. This is a \$36,264 increase which is due to the county increasing building values by 1% and adding the intergenerational building. We have also asked for carrier to agree to extend the flat rate agreement to 2018 renewal. The County does have an option to agree to extend the current rate agreement to 2018. We are still pending a response from Lloyds that all syndicates will agree.

Total Program Results

The chart below shows the annual changes in limits, values, premiums, rates and catastrophe modeling back to 2009

	Exposure	Premium	Annual Rate	Limits Purchased	Named Storm Limit
09-10	\$426,623,770	\$1,412,500	\$0.33	175,000,000	25,000,000
10-11	\$301,589,497	\$1,350,000	\$0.45	200,000,000	50,000,000
11-12	\$347,436,734	\$1,049,302	\$0.30	200,000,000	50,000,000
12-13	\$332,426,422	\$1,316,000	\$0.40	200,000,000	25,000,000
13-14	\$333,657,066	\$1,264,537	\$0.38	200,000,000	25,000,000
14-15	\$342,345,764	\$1,205,000	\$0.35	200,000,000	35,000,000
15-16	\$343,203,562	\$994,238	\$0.29	200,000,000	35,000,000
16-17	\$352,048,567	\$948,446	\$0.27	200,000,000	40,000,000
17-18	\$365,509,174	\$984,738	\$0.27	200,000,000	40,000,000

Over the past renewals, several enhancements were added to the program as follows:

1. Revised Named Windstorm Deductible wording to "per unit of insurance" and added "for which a claim is made" wording.
2. Limited Pollution Coverage from \$25,000 to \$100,000 under Decontamination & Clean up expense
3. Piers, wharves and docks from \$250,000 to no sublimit as long as the items are itemized in the County's Statement of values
4. Expediting Expense \$5,000,000, previously not covered
5. Debris Removal from \$7,500,000 to \$10,000,000
6. Fungus/Mold from \$1,000,000 to \$2,000,000
7. Loss Adjustment Expense from \$25,000 to \$1,000,000
8. Added sublimit for underground equipment of \$500,000 with the intent to pick up fiber optics

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Equipment Breakdown

In 2016, we negotiated a 7.6% rate decrease as well as several coverage enhancements with Travelers:

1. Electronic Data or Media \$1,000,000 to \$5,000,000
2. Fungus, Wet rot and dry rot from \$15,000/30 days to \$100,000/60 days
3. Hazard Substance from \$2,000,000 to \$10,000,000
4. Unnamed Locations from \$1,000,000 to no longer sublimited
5. Business Income from \$3,298,546 to \$10,000,000

This year Travelers has agreed to a renewal premium of \$10,528; a 3.15% rate decrease. They have also added several coverage enhancements:

1. Expediting Expense is provided up to policy limit, the expired limit was \$1,000,000 – The carrier will agree to pay reasonable extra costs to make temporary repairs or expedite permanent repairs, which would ultimately reduce the total cost of the claim.
2. Claim data expense limit of \$25,000 which will allow you to pay for expenses you incurred in preparing the claims data, this can include appraisals, preparing income statements, and other documentation; previously no coverage was provided.
3. Deductible Waiver – Your equipment breakdown deductible will be waived if you suffer a loss that is covered via your property program and the equipment breakdown policy.
4. Off Premise Equipment Coverage – Provides coverage to covered equipment that suffers a breakdown and is located at a temporary location that is not a covered location.
5. Amend Knowledge of Occurrence to executive officer or risk manager
6. Rate agreement for 2018 subject to 30% loss ratio

Inland Marine – Vehicles over \$100,000, Contractors Equipment, Rented & Leased Equipment and Golf Carts

In 2016 rates decreased on average 7.5% and all other terms and conditions remained as expiring. The County has been with Markel since 2012. This year we approached six markets on your behalf and received various declinations except for XL. Your incumbent has offered a renewal premium of \$51,771 and they have agreed to increase the loss limit from \$15 million to \$20 million. Markel has also agreed to remove the following "property not covered" from the Auto Physical Damage form:

- a. Property while being used or operated in other than "Fire Department activities;"
- b. Tires or Glass.

Markel will need to audit the current policy and the County will need to provide the rental expenditure for leased equipment.

	Exposure	Premium	Annual Rate
14-15	\$ 14,816,005	\$ 45,854	\$ 0.3095
15-16	\$ 19,531,041	\$ 53,032	\$ 0.2715
16-17	\$ 21,970,630	\$ 53,606	\$ 0.2440
17-18	\$ 22,994,220	\$ 51,778	\$ 0.2251
% Change	4.66%	-3.42%	-7.72%

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Terrorism Property, NCBR Property & Terrorism Liability including NCBR

The County's Terrorism & NCBR policy covers all locations currently reported on your Property program, inland marine schedule and all vehicles under \$100,000. The total insured value for this renewal is \$398,885,594; a 4.25% exposure increase. We marketed your program this year to several different Lloyds syndicates: your incumbent, Hiscox, XL/Catlin and Ironshore. Ironshore declined to offer a quotation however we received a competitive quote from Hiscox. We are recommending you remain with your incumbents. The NCBR Property Damage coverage and Terrorism Liability including NCBR terms and conditions are per expiring. The renewal premium is \$18,775; \$220 savings. The Terrorism Property Damage policy renewal premium is \$9,500; a 17% rate decrease.

The Terrorism policy will be on a new form which now follows your all risk placement with sublimits that override the all-risk in respect to terrorism only. These sublimits include Claims Preparation, Transit, Seepage Contamination and Pollution / Clean-up, etc. The policy provides financial loss as a result of a threat, loss of attraction including non-damage to the insured out to a 2.5 mile radius from an insured location and denial of access including non-damage out of 2.5 mile radius from an insured location.

Optional Terrorism

We received several optional quotes this year for new products being offered by the Terrorism markets:

1. Active Assailant, the coverage will provide business interruption/extra expense limits and crisis management as a result of an active assailant event at your location or an event organized or paid by the County. Coverage includes Extra expenses involved in managing and recovering from an incident, including: Public relations costs, Relocation, expenses, Counselling costs and/or psychiatric care, Medical expenses, Job retraining and additional security measures.

	XL	XL
Business Interruption	\$2,000,000	\$3,000,000
<u>Crisis Management</u>		
Additional Security	Included	Included
Counseling	\$10,000 per person	\$10,000 per person
Public Relations	Included	Included
Deductible	\$10,000	\$10,000
Premium	\$3,000	\$4,000

2. Active Shooter – Provides primary liability coverage arising from harm caused by attacks using deadly weapons. It is written on a claim made form and provides coverage for counseling services, 24 hour crisis management to help the County respond immediately by setting up an emergency call center, advising on emergency communication, and putting in place a recovery plan and arranging counseling. On the following you will find the options provided:

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Coverage			
Third Party Liability coverage for bodily injury as a result of an Active Shooter event	\$2M Per Occ./Agg	\$3M Per Occ./Agg	\$5M Per Occ./Agg
Sublimits			
Crisis Management / Temporary Security Measures	\$250k / \$1M Agg	\$250k / \$1M Agg	\$250k / \$1M Agg
Property Damage to your buildings	\$500,000	\$500,000	\$500,000
Counselling Services to a third party	\$250k / \$1M Agg	\$250k / \$1M Agg	\$250k / \$1M Agg
Funeral Expense	\$250k / \$1M Agg	\$250k / \$1M Agg	\$250k / \$1M Agg
Deductible	\$25,000 Each Occ	\$25,000 Each Occ	\$25,000 Each Occ
Premium Indications	\$115,000	\$150,000	\$214,000

Crime

The County's Crime policy is with Massachusetts Bay Insurance Company and it is on the third year of a three year policy. The annual installment due at this time is \$4,903.

Public Entity Excess Liability

In 2016 we negotiated with Brit a two-year rate guarantee for the Public Entity Excess Liability policy. As a result the renewal premium is \$146,000; per expiring.

In 2014, the EMS coverage was removed from the stand-alone program and merged within this policy. Brit agreed to provide a lower retention for this operation only at \$25,000. This year Brit will be issuing the renewal on their latest edition date and the form provides several material differences which are below:

1. Garage keepers Legal Liability – Not Covered, coverage can be added if the County reports an exposure.
2. Damage to Premises Rented – Previously, this coverage was not specifically identified in the form. A \$2 million limit will be reflected for the renewal.
3. Cyber Exclusion added
4. TPA duties further clarified
5. Amended Notice for Discrimination or Civil Rights violation from as soon as received to 50% of retention or within 90 days of trial date
6. Drones excluded – coverage can be added if the County reports an exposure for owned and/or non-owned drones
7. Watercraft exclusion amended to provide coverage up to 50 feet. Brit has agreed to schedule your current P&I policy. If Great American pays their limits, the County would not be subject to retention and Brit coverage would apply excess. The Brit coverage is subject to its own terms, conditions and exclusions and will not follow coverage provided by Great American.
8. We have also asked Brit to schedule the Parking lot General Liability policy as well. Again the intent is for this underlying policy to satisfy your retention and will not follow form.
9. Moonlighting is specifically now included within the Law Enforcement section. This was also the intent however the coverage was silent previously.
10. Amended breach of contract exclusion to provide coverage allegation of violations of employment contract
11. Removed sublimit for Defense Costs incurred prior to denial of coverage with respect to law enforcement liability.

Brit will continue to offer loss control funds, this is a cost sharing arrangement and they will reimburse you 50% of the total cost up to \$3,000. The services have to be pre-approved in order for the County to receive a refund.

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Executive Summary (Cont.) Excess Workers Compensation

The Excess Workers Compensation market continues to be limited in Florida for entities that have Police and/or Fire exposures which are subject to presumption laws. As a result many entities are forced to take self-retentions with Police/Fire retentions of \$750,000 to \$1 million. In 2015, we were successful in negotiating \$650,000 retention for all classifications except \$1 million for USL&H and Jones Act.

In 2016 we negotiated on your behalf a flat rate with Safety as well as a rate agreement for your 2017 renewal.

Below is a brief comparison of the current program vs. renewal. Safety has agreed to extend current rate agreement to 2018.

	Premium	Payroll	Rate
Safety 16-17	\$154,745	\$73,766,151	\$.2097
Safety 17-18	\$164,688	\$78,516,177	\$.2097
% Change	6.42%	6.42%	0%

Cyber / Excess Cyber Liability

In 2014 the County purchased Cyber Liability with AIG. Last year the County Network Interruption coverage for \$1 million limit as well as PCI fines at \$250,000. PCI fines and assessments provides coverage for contractual assessments, fines, and penalties due to a security breach and non-compliance with payment card industry data security standard. The Network Interruption coverage provides coverage for expenses incurred by the County to recover data and loss of income from a security failure on your network.

This year AIG has offered several limit options per the below. Overall the premium is up by \$1,259; a 6.93% increase.

Item	Renewal with expiring coverages	AIG - Option 2	AIG - Option 3	AIG - Option 4
Total Policy Aggregate	\$1,000,000	\$2,000,000	\$2,000,000	\$3,000,000
Breach Response Limit (Event Management)	\$1,000,000	\$2,000,000	\$2,000,000	\$3,000,000
Cyber Extortion Limit	\$1,000,000	\$2,000,000	\$2,000,000	\$3,000,000
Business Interruption Limit (Network Interruption)	\$1,000,000	\$2,000,000	\$2,000,000	\$3,000,000
Media Liability Limit	\$1,000,000	\$2,000,000	\$2,000,000	\$3,000,000
Regulatory Liability	\$1,000,000	\$2,000,000	\$2,000,000	\$3,000,000
Security and Privacy Liability Limit	\$1,000,000	\$2,000,000	\$2,000,000	\$3,000,000
Crisis Fund Insurance (Reputation Guard)	\$50,000	\$50,000	\$50,000	\$50,000
PCI Fines	\$250,000	\$250,000	\$250,000	\$250,000
Retention	\$25,000	\$25,000	\$50,000	\$50,000
Business Interruption Waiting Period	12 Hours	12 Hours	12 Hours	12 Hours
Premium	\$19,432	\$33,941	\$30,982	\$43,927

AIG has added several new endorsements and below is a brief explanation of the major material changes:

1. Bitcoin Ransom Endorsement – Amends loss definition with respect to Cyber Extortion coverage to include monies paid by an insured with the carriers approval to obtain Bitcoin to terminate a security threat
2. Choice of Panel Counsel – Allows the County to choose counsel from AIG's approved panel list

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3. Conduct Exclusion Amendatory – Amends intentional exclusion to allow coverage for rogue employee
4. Continuity Date Exclusion Amendatory Endorsement – Amends exclusion for known wrongful or related acts prior to continuity date from any insured to any non-administrative personnel in the office
5. Dispute Resolution Provisionary Amendatory Endorsement – Amends the date a judicial or arbitration proceeding can be set after non-binding mediation from 90 days to 60 days
6. First Response Coverage Endorsement – Provides \$50,000 as a result of Security Failure or Privacy Event for Legal advisor, IT advisor or Public Relations advisor. The coverage is provided with no retention and only applies within the first 72 hours of the event. The intent is the carrier will assign experts as soon as possible after an event, which should ultimately reduce your total loss.
7. Personal Identity Coverage For Employees – Provides specific sublimits to your employee when their identity has been stolen as a result of your security breach, no retention will apply to this coverage.
8. Retention Amendatory – Recognize Erosion – Clarifies intent that defense costs incurred by the County per AIG's consent in defense or investigation will erode your retention.
9. Retention Amendatory – amends current language for both retentions to apply when the County suffers a first party loss and a third party loss too one retention to apply, whichever is greater.
10. Security Failure Definition Amendatory – Broadens security failure definition by removing limitation to insureds premise, computer system or officer/employee by non-electronic means.
11. Security Failure Definition Amendatory – Adds to security failure definition, physical theft of hardware from the County's premises
12. System Failure Coverage – This Endorsement amends the Network Interruption coverage to include System Failure. System Failure provides coverage for unintentional and unplanned outage of a computer system.
13. Split Retroactive Date – This will only apply if the County decides to increase limits, the higher limit will have a retro date of May 1st, 2017

Watercraft – Hull / Protection & Indemnity

The renewal premium offered by Great America is \$7,797; a .27% premium increase. The Hull values for 2017 have increased by 12%.

This year we requested Great American to offer a Vessel Pollution quote as well. The pollution policy would provide coverage for spills from vessels. The coverage would include clean up, third party damage, defense and fines. The premium to add this coverage is \$1,025.

County overview of expiring vs. renewal program for all coverages

Below you will find an expiring vs. renewal premium summary:

Coverage	16-17	17-18	DIFFERENCE	% Change
	TOTAL	TOTAL		
Property	\$ 948,474.00	\$ 984,738.00	\$ 36,264	3.82%
Equipment Breakdown	\$ 10,470.00	\$ 10,528.00	\$ 58.00	0.55%
Inland Marine	\$ 53,606.00	\$ 51,771.00	\$ (1,835.00)	-3.42%
Terrorism Liability	\$ 11,700.00	\$ 11,500.00	\$ (200.00)	-1.71%
NCBR Terrorism	\$ 7,295.00	\$ 7,275.00	\$ (20.00)	-0.27%
Property Terrorism	\$ 11,387.00	\$ 9,500.00	\$ (1,887.00)	-16.57%
Crime	\$ 4,903.00	\$ 4,903.00	\$ -	0.00%
Public Entity Excess Liability	\$ 146,000.00	\$ 146,000.00	\$ -	0.00%
Excess Workers Compensation	\$ 154,745.00	\$ 164,688.00	\$ 9,943.00	6.425%
Cyber	\$ 18,173.00	\$ 19,432.00	\$ 1,259.00	6.93%
Hull / P&I	\$ 7,776.00	\$ 7,797.00	\$ 21.00	0.27%
Fee	\$ 175,000.00	\$ 175,000.00	\$ -	0.00%
TOTAL	\$1,549,529.00	\$1,593,132.00	\$ 43,603	2.81%

Conclusion

We look forward to reviewing this proposal with you in detail and truly appreciate your business. In the following pages we will review the results, changes, enhancements and options by each line of coverage: