

Indian River County, Florida Memorandum

TO: Jason Brown, County Administrator
THRU: Kristin Daniels, Director, OMB
FROM: Beth Martin, Risk Manager
DATE: April 5, 2019
SUBJECT: Property/Casualty Insurance 2019-20

Please consider the following for inclusion on the April 23, 2019 Board of County Commissioners' agenda.

Background

In preparation for the May 1, 2019 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. On February 5, 2019 the County extended the service agreement with AJG for one year, and we present a program with a 6.36% percent premium increase based upon increased inland marine (heavy equipment and vehicles) value and property insurance premiums. Additionally, the cyber liability coverage was expanded to include network interruption and privacy notification services. The table below summarizes the lines of coverage and costs. It is followed by a discussion detailing variables that impacted renewal rates.

	Summary			
Coverage	Current	Renewal	Increase	Change
Property	\$1,221,337	\$1,326,994	\$105,657	8.65%
Equipment Breakdown	10,890	10,742	(148)	-1.36%
Inland Marine	59,790	67,193	7,403	12.38%
Terrorism Liability	11,500	11,122	(378)	-3.29%
NCBR Terrorism	7,275	6,685	(590)	-8.11%
Property Terrorism	9,500	8,729	(771)	-8.12%
Crime	5,005	5,005	0	0.00%
Public Entity Excess Liability	153,300	151,825	(1,475)	-0.96%
Excess Workers Compensation	171,216	171,468	252	0.15%
Cyber	19,443	27,522	8,079	41.55%
Hull/P&I	7,808	7,808	0	0.00%
GL/parking lot	1,976	1,888	(88)	-4.45%
Fee	175,000	175,000	0	0%
TOTAL	\$1,854,040	\$1,971,981	\$117,941	6.36%

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. Highlights of the renewal are:

Property: Total insured property values decreased 2.27% with the transfer of Historic Dodgertown properties coverage to that organization. The renewal was fully marketed to 30 markets, yet with the industry facing insured losses from Florence and Michael along with the California wildfires, the property market has hardened. At the same time, the County has recovered \$5,688,375 from Matthew and is to receive an estimated \$3,435,183 for Irma, representing 115% of the premium paid for the last five policy years.

The table below illustrates historical premium data:

Policy Year	Exposure	Premium	Annual Rate	Limits Purchased	Named Storm Limit
2007-08	342,013,377	2,387,500	0.7	150,000,000	50,000,000
2008-09	414,241,373	1,950,350	0.47	150,000,000	50,000,000
4/1/09-5/1/10	426,623,770	1,412,500	0.33	175,000,000	25,000,000
2010-11	301,589,497	1,350,000	0.45	200,000,000	50,000,000
2011-12	347,436,734	1,049,302	0.3	200,000,000	50,000,000
2012-13	332,426,422	1,316,000	0.4	200,000,000	25,000,000
2013-14	333,657,066	1,264,537	0.38	200,000,000	25,000,000
2014-15	342,345,764	1,205,000	0.35	200,000,000	35,000,000
2015-16	343,203,562	994,238	0.29	200,000,000	35,000,000
2016-17	352,048,567	948,446	0.27	200,000,000	40,000,000
2017-18	365,509,174	984,710	0.27	200,000,000	40,000,000
2018-19	381,676,150	1,240,000	0.32	200,000,000	40,000,000
2019-20	372,933,092	1,324,438	0.36	200,000,000	40,000,000

Equipment Breakdown: The \$10,742.00 renewal premium is a 1.36% premium decrease.

Inland Marine: The premium increased 12.38% with a renewal premium of \$67,193.00. Included in this line of coverage are vehicles valued over \$100,000.00, contractors' equipment, rented and leased equipment and golf carts. The premium increase is based upon a 7% rate decrease but increased inventory in the line of coverage. The loss limit has also been increased from \$15 million to \$20 million.

Terrorism: Renewal premiums have decreased. For the property program, the premium is \$8,729.00. For the liability program, the premium is \$17,807.00.

Crime: The premium remains the same upon renewal. Coverage will remain with the incumbent carrier, Hanover.

Public Entity Excess Liability Package: The 0.96% decrease includes coverage for drones. The package includes excess general liability, auto liability, public officials' liability, miscellaneous liability, employee benefits liability, law enforcement activities and EMS operations. Premium is \$151,825.00.

Excess Workers' Compensation: The market for public employer workers' compensation is extremely limited due to fire and police exposures which are subject to presumption laws. Nevertheless, the renewal proposal from Safety National again offers a \$650,000.00 self-insured retention. While payroll slightly decreased, there was an increase in costs based upon increased exposure with the addition of a fourth helicopter. Cost for renewal is \$171,468.00.

Cyber Liability: The County initially purchased this coverage in 2014, and the renewal premium of \$27,522.00 expands coverage for network interruption and privacy event services.

Hull and Protection & Indemnity: Premium remains \$7,808.00 for this watercraft coverage.

General Liability/Parking Lot: This stand-alone policy provides coverage for the First Baptist Church adjacent to the Main Library and used by Library patrons as a parking area. The County is contractually required to maintain this coverage. The annual premium is \$1,888.00.

Fee: This annual fee remains the same at \$175,000.00 for broker services to AJG.

Funding

Funding in the amount of \$1,971,981 for insurance coverage is budgeted and available in the Self Insurance Fund, Other Insurance account (account number 50224613-034590). The Self Insurance Fund is an internal service fund that allocates charges to the County's user funds.

Recommendation

Staff recommends that the Board approve the renewal and authorize staff to bind coverage for May 1, 2019 through April 30, 2020 with a current annual premium of \$1,971,981 based upon the current schedule of values and coverage selections and approve the included broker annual fee of \$175,000.00.

Approved for Agenda
April 23, 2019