

Indian River County, Florida Memorandum

TO: Jason Brown, County Administrator

THRU: Michael Smykowski, Director, OMB

FROM: Beth Martin, Risk Manager

DATE: April 3, 2017

SUBJECT: Request for Agenda; Property/Casualty Insurance 2017-18

Please consider the following for inclusion on the April 11, 2017 Board of County Commissioners' agenda.

Background

In preparation for the May 1, 2017 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 this second renewal of the five-year service agreement with AJG, we are pleased to present a program with a 2.81% percent price increase based upon increased property value and payroll projections. The table below summarizes the lines of coverage and costs. It is followed by a discussion detailing variables that impacted renewal rates.

Summary

Coverage	2016 Expiring Premium	2017 Renewal Premium	Difference	% Change
Property (\$200M limits & \$40M Named Storm)	\$948,474	\$984,738	\$36,264	3.82%
BRIT Package	\$146,000	\$146,000	\$0	0.00%
Excess Workers' Compensation	\$154,745	\$164,688	\$9,943	6.43%
Cyber	\$17,226	\$19,432	\$1,259	6.93%
Terrorism Property	\$11,387	\$9,500	(\$1,887)	-6.57%
Terrorism Liability/NCBR	\$18,995	\$18,775	(\$220)	-1.98%
Equipment Breakdown	\$10,470	\$10,528	\$58	0.55%
Inland Marine	\$53,606	\$51,771	(\$1,835)	-3.42%
Hull and Protection & Indemnity	\$7,776	\$7,797	\$21	0.27%
Crime	\$4,903	\$4,903	\$0	0.00%
Total	\$1,373,582	\$1,418,132	\$43,603	2.81%

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 increased 1% for the 2017 renewal and the Intergenerational Center was added. This is the second year of a two-year rate guarantee, and because of market conditions and the County's excellent loss history, the carriers are willing to offer another rate guarantee for next year. Staff recommends acceptance of this rate guarantee offer. Additionally, the County will conduct an independent appraisal of all structures valued over \$250,000.00 to assure adequate values have been considered. The last appraisal was completed ten years ago. With updated, comprehensive structural information, underwriters can continue to offer the County favorable renewal terms.

Casualty Package: This is the second year of the two-year rate guarantee BRIT offered, maintaining the renewal premium at \$146,000.00. This package which includes excess general liability, auto liability, public officials' liability, miscellaneous liability, employee benefits liability, law enforcement activities and EMS operations.

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, the second year of a two-year rate guarantee, again offers a flat rate of \$0.20975, with the same \$650,000.00 self-insured retention as the current year. Additionally, Safety National has offered and staff recommends acceptance of a rate guarantee for next year in light of recent court decisions and proposed legislation. Cost for renewal is \$164,688.00, with the increase based upon a 6.42% increase in payroll.

Cyber Liability: The County initially purchased this coverage in 2014, and the renewal premium of \$19,432.00, or an increase of \$1,259.00 includes coverage for contractual assessments, fines and penalties due to a security breach and non-compliance with the Payment Card Industry Data Security Standard.

Terrorism: Once again, renewal premiums have decreased. For the property program, the premium was reduced from \$11,387.00 to \$9,500.00, a decrease of 6.57%. For the liability program, a \$220.00 savings reduces the premium to \$18,775.00.

Equipment Breakdown: The \$10,528.00 renewal premium is a 0.55% premium increase and includes a number of negotiated coverage enhancements as well as a rate guarantee for next year.

Inland Marine: The premium decreased 3.42% with a renewal premium of \$51,771.00.

Hull and Protection & Indemnity: While values increased 12%, premium increased 0.27% to \$7,797.00.

Crime: This is the final year of a three-year policy with no changes to the \$4,903.00 annual premium.

Funding

Funding for insurance coverage is provided by the Self Insurance Fund, Other Insurance account (acct. number 50224613-034590). The Self Insurance Fund is an internal service fund that allocates charges to the County's user funds. The current year budget includes funding in the amount of \$2,412,000 for excess insurance premiums.

Recommendation

Staff recommends that the Board approve the renewal and authorize staff to bind coverage for May 1, 2017 through April 30, 2018 with a current annual premium of \$1,418,132 based upon the current schedule of values and coverage selections and approve the broker annual fee of \$175,000.

Approved for Agenda
April 11, 2017