

Indian River County, Florida  
Memorandum

**TO:** Jason Brown, County Administrator  
**THRU:** Michael Smykowski, Director, OMB  
**FROM:** Beth Martin, Risk Manager  
**DATE:** March 29, 2018  
**SUBJECT:** Property/Casualty Insurance 2018-19

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Please consider the following for inclusion on the April 17, 2018 Board of County Commissioners' agenda.

**Background**

In preparation for the May 1, 2018 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 third renewal of the five-year service agreement with AJG, we present a program with a 16.09% percent price increase based upon increased property value, payroll projections and current insurance industry market conditions. 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	\$ 984,738	\$1,221,367	\$236,629	24.03%
Equipment Breakdown	10,528	10,890	362	3.43%
Inland Marine	51,771	57,226	5,455	10.54%
Terrorism Liability	11,500	11,500	0	0.00%
Nuclear, Chemical, Biological, Radiological Terrorism (NCBR)	7,275	7,275	0	0.00%
Property Terrorism	9,500	9,500	0	0.00%
Crime	4,903	5,005	102	2.08%
Public Entity Excess Liability	146,000	153,300	7,300	5.00%
Excess Workers Compensation	164,688	171,216	6,528	3.96%
Cyber	19,432	19,443	11	0.06%
Hull/P&I	7,797	7,808	11	0.14%
Fee	175,000	175,000	0	0.00%
<b>TOTAL</b>	<b>\$1,593,132</b>	<b>\$1,849,530</b>	<b>\$256,398</b>	<b>16.09%</b>

## 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 4.42% for the 2018 renewal. The renewal was fully marketed to 30 markets, yet with the industry facing insured losses from Harvey, Irma and Maria expected to exceed \$100 billion, wiping out 15% of the industry's surplus, and the County's claims for Matthew and Irma expected to exceed \$9 million, premium increases were expected. The recommended renewal premium represents a 24.03% increase at \$1,221,367.00.

### Options Reviewed to Reduce Premiums

The broker evaluated numerous options for property premium savings based upon the County's exposures, historical losses and maximum probable loss. Those options are found in the Executive Summary, Page 4, and the four (4) that most closely approximate the County's previous coverage and needs are in the table below:

<b>Named Storm Limit</b>	<b>AOP Limit</b>	<b>Savings</b>	<b>Rate Change</b>	<b>Total</b>	<b>Premium Increase</b>
\$35,000,000	\$200,000,000	(\$25,000)	16.30%	\$1,196,367	\$211,629
\$35,000,000	\$100,000,000	(\$74,244)	11.56%	\$1,147,123	\$162,385
\$30,000,000	\$200,000,000	(\$60,297)	12.90%	\$1,161,070	\$176,332
\$30,000,000	\$100,000,000	(\$101,297)	8.90%	\$1,120,070	\$135,332

At a 11.56% increase, or \$1,147,123.00 premium, this would lower the Named Storm Limit to \$35,000,000.00, still within the Probable Maximum Loss prediction but lowers the coverage for All Other Perils (AOP), such as fire or tornado, from \$200,000,00.00 to \$100,000,000.00. With our broker, we reviewed clusters of County-owned properties, such as the County Administration complex, Sheriff's complex, Courthouse/Garage/Main Library, and found them to fall within these revised limits. Staff recommends that for the \$74,244.00 premium difference, we remain at the higher limits.

After review, staff concurs with the broker's recommendation for renewal at the current Named Storm and AOP limits of \$40,000,000/\$200,000,000 at the annual premium of \$1,121,367.00.

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	0.70	\$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	0.30	200,000,000	50,000,000
2012-13	332,426,422	1,316,000	0.40	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	1,121,367	0.32	200,000,000	40,000,000

*Equipment Breakdown:* The \$10,890.00 renewal premium is a 3.43% premium increase and includes a number of negotiated coverage enhancements.

*Inland Marine:* The combination of a 1.22% premium increase coupled with increased insurable values resulted in a renewal premium of \$57,226.00 or 10.54% with a flat rate 2019-2020 renewal.

*Terrorism:* Once again, renewal premiums have stayed the same. For the liability program including Nuclear, Chemical, Biological and Radiological events, the premium is \$18,775.00. For the property program, the premium is \$9,500.00.

*Crime:* The premium increased 2.08% to \$5,005.00. Coverage will remain with the incumbent carrier, Hanover.

*Public Entity Excess Liability Package:* The 5% increase (\$7,300.00) is due to increases in vehicle count and net operating expenditures. This package includes excess general liability, auto liability, public officials' liability, miscellaneous liability, employee benefits liability, law enforcement activities and EMS operations. Premium is \$153,300.00.

*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 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 \$171,216.00, with the increase based upon a 3.964% increase in payroll.

*Cyber Liability:* The County initially purchased this coverage in 2014, and the renewal premium of \$19,443.00, or an increase of \$11.00 includes coverage for contractual assessments, fines and

penalties due to a security breach and non-compliance with the Payment Card Industry Data Security Standard.

*Hull and Protection & Indemnity:* While values increased, premium increased 0.14% to \$7,808.00.

### **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 \$2,484,360.00 for excess insurance premiums.

### **Recommendation**

Staff recommends that the Board approve the renewal and authorize staff to bind coverage for May 1, 2018 through April 30, 2019 with a current annual premium of \$1,849,530.00 based upon the current schedule of values and coverage selections and approve the broker annual fee of \$175,000.00.

Approved for Agenda  
April 17, 2018