

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

DATE: April 18, 2023

TO: BOARD OF COUNTY COMMISSIONERS

THROUGH: Michael Zito, Interim County Administrator

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

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

BACKGROUND:

In preparation for the May 1, 2023 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 2023 renewal rates. There was a total overall increase of 27.91% for the Indian River County insurance renewal.

Renewal Summary

Policy Coverage	Policy Limits	Current Premium	Renewal Premium	Premium Increase	Premium Change
Property (Non-Utility)	\$100 Mil/\$25Mil	\$1,511,642	\$2,157,000	\$645,358	42.69%
Property (Utility)	\$60 Mil	\$736,424	\$880,691	\$144,267	19.59%
Flood	Multi	\$9,067	\$9,843	\$776	8.55%
Equipment Breakdown	\$100 Mil	\$10,750	\$12,450	\$1,700	15.81%
Terrorism	\$100 Mil	\$17,025	\$20,000	\$2,975	17.47%
NCBR PD & Liability	\$10 Mil	\$26,710	\$33,500	\$6,790	25.42%
Inland Marine	\$20Mil/\$2.5 Mil	\$106,048	\$120,000	\$13,952	13.15%
Crime	\$1 Mil	\$6,597	\$6,597	\$0	0.00%
Public Entity Excess Liability	\$2 Mil/\$4Mil	\$207,500	\$222,000	\$14,500	6.98%
Excess Workers Comp	Statutory Max	\$290,368	\$329,233	\$38,865	13.38%
D&B	\$1 Mil	\$42,870	\$58,349	\$15,479	36.1%
Hull/P&I	\$1 Mil	\$8,288	\$5,951	-\$2,337	-28.20%
Statutory AD&D	\$75,000	\$12,362	\$12,362	\$0	0.00%
AJG Brokers Fee		\$175,000	\$175,000	\$0	0.00%
Total		\$3,160,651	\$4,042,976	\$882,325	27.91%

ANALYSIS:

The current insurance market is extremely volatile as a result of Hurricanes Ian and Nicole, causing many insurers to reduce their capacity or withdraw from business from the state of Florida. The insurers currently writing business in Florida are often considered carriers of “last resort” as they are able to monopolize a declining market and have increased premiums by up to 50%.

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. The renewal is based off a total insured value of \$338,660,163 which is an 8.4% increase. We experienced many carriers reducing their capacity to much smaller line sizes and increasing their rates in conjunction. New capacity is coming to the table rather slowly, and comes in at significantly higher rates relative to the expiring program resulting in the decision to reduce program limits based on rate increases. The proposed renewal premium of \$2,157,000 is the worst-case scenario and we have asked the broker to continue to engage with the carriers to obtain a more favorable renewal quote.

Program Term Changes:

1. All perils coverage reduced from \$165 million to \$100 million.
2. Named Storm coverage reduced from \$40 million to \$25 million.
3. Hurricane Deductible changed to Named Storm – The previous Named Hurricane deductible only applied if wind speeds exceeded 74 mph or greater and was declared by NOAA to be a Hurricane. A Named Storm deductible includes tropical depressions (max sustained winds 38 mph or less) and tropical storm (max sustained winds 39 to 73 mph).
4. Scheduled coverage or a Margin Clause – Coverage will be limited to value reported in your statement of value for each item or 110% of the reported value
5. Unintentional Errors and Omission – Reduced from \$10 million to \$2.5 million (unscheduled property)

Utility Property Program: The County’s renewal based on a total insured value of \$259,128,905; a 4.1% increase in values. Star’s rate increase is 20%, which lines up with similar renewals in the State. Policy limit for all perils remains at \$60 million.

Program Term Changes:

1. Named Storm coverage reduced from \$30 million to \$20 million

Inland Marine: This year the program was sent to five markets direct and six through a wholesaler. The renewal exposure/values are up 9.3% and the renewal premium is \$120,000 with a 13.2% increase. There are no material changes to forms.

Excess Workers Comp: 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. This year the County received two renewal options from the incumbent carrier:

1. \$850,000 deductible with a premium of \$329,233; 13.4% premium increase

2. \$1,000,000 deductible with a premium of \$272,808; 6.0% premium decrease

Staff recommends option 1 - \$850,000 SIR per claim, which is the same as the expiring policy.

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). A budget amendment will be processed at a later date to fund the additional \$256,119 needed in the current fiscal year. Since the insurance program renews mid-year and encompasses two fiscal years, an increase in funding for the upcoming fiscal year will also be necessary to fund the overall 27.91% 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 the Board approve the proposed renewal and authorize staff to bind coverage for May 1, 2023 through April 30, 2024 with a current annual premium of \$4,042,976.11. 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