

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

DATE: April 20, 2021

TO: BOARD OF COUNTY COMMISSIONERS

THROUGH: Jason E. Brown, County Administrator

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

SUBJECT: Self-Insurance Funds and Direct Writing Insurers for Property and Casualty Insurance

BACKGROUND:

In preparation for the May 1, 2021 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 2021 renewal rates. There was a total overall increase of 10.99% for the Indian River County insurance renewal.

Renewal Summary

Policy Coverage	Policy Limits	Current Premium	Renewal Premium	Premium Increase	Premium Change
Property (Non-Utility)	\$165 Mil	\$579,247	\$650,004	\$70,757	12.22%
Property (Utility)	\$60 Mil	\$1,231,397	\$1,351,104	\$119,707	9.72%
Flood	Multi	\$8,637	\$8,637	\$0	0.00%
Equipment Breakdown	\$100 Mil	\$8,842	\$9,827	\$985	11.14%
Terrorism Property Damage	\$10 Mil	\$11,686	\$16,750	\$5,064	43.33%
NCBR PD & Liability	\$10 Mil	\$23,095	\$24,950	\$1,855	8.03%
Inland Marine	\$20Mil/\$2.5 Mil	\$76,528	\$94,513	\$17,985	23.50%
Crime	\$1 Mil	\$5,005	\$6,597	\$1,592	31.81%
Public Entity Excess Liability	\$2 Mil/\$4Mil	\$161,000	\$182,100	\$21,100	13.11%
Excess Workers Comp	Statutory Max	\$198,202	\$229,137	\$30,935	15.61%
Cyber	\$1 Mil	\$24,301	\$30,368	\$6,067	24.97%
Hull/P&I	\$1 Mil	\$7,390	\$7,761	\$371	5.02%
Church Parking Lot Liability	\$1 Mil	\$1,790	\$2,087	\$297	16.59%
Statutory AD&D	\$75,000	\$6,192	\$6,166	-\$26	-0.42%
AJG Brokers Fee		\$175,000	\$175,000	\$0	0.00%
Total		\$2,518,312	\$2,795,001	\$276,689	10.99%

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. Major highlights of the renewal are as follows:

Property Program: This year the program was marketed to 36 markets to ensure the best possible options. Indian River County's property insurance renewal program is based on total insurable values of \$295,252,980 and provides a program limit of \$165 million with \$40 million for Named Storm 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 Hurricane with a maximum per occurrence of \$5 million. We have received rate increases between 8% and 14%. The final renewal premium is \$1,351,104 which is a 9.72% rate increase. Below you will find the material changes for the renewal:

1. Remove \$250,000 sublimit for Personal Property Outside the U.S.A
2. Communicable Disease Exclusions
3. Add an aggregate to the Mold sublimit of \$2,000,000
4. Post Loss Assignment Exclusion – The insurance will not apply to any expenses submitted that the County assigned their rights or interests to the vendor used to make repairs as a result of a covered claim
5. Updated edition dates for Exclusions related to virus, bacteria and/or microorganism

2021 Utility Renewal Overview

The County's renewal is based on a total insured value of \$242,955,795. Star's renewal proposal is \$650,004; a 12.22% rate increase, all other terms remain as expiring.

Excess Workers Comp: This market continues to be limited in Florida for public entities that have Police and/or Fire exposures which are subject to the presumption laws. The County payroll is \$92,767,840 which represents a 4% increase over expiring. The retention remains as expiring, with a premium increase of \$30,935 or 15.61%.

Inland Marine: The program was marketed to fifteen markets and received various declinations from carriers refusing to quote stating they could not provide the requested coverage or compete with the current program. The last several years the Auto Physical Damage coverage has become more difficult to market as carriers are concerned with the high value and concentration of vehicles in any one location. This year the carrier reduced the Named Windstorm and Flood sublimits from \$20,000,000 to \$2,500,000 however all other perils (such as fire, collision, vandalism) remain the same with a \$20,000,000 limit. The quoted premium for a \$20,000,000 limit for Named Windstorm and Flood is \$197,081 or a 161% premium increase. Staff recommends the \$2,500,000 in Named Windstorm coverage since all vehicles over \$100,000 in value are not parked in a known flood zone and are dispersed to different locations in the event of a hurricane. This coverage reflects a \$17,985 or 23.5% increase over last year's premium.

Crime: The program was marketed to several markets and received competitive quotes. In the last few years, the County suffered a Crime loss totaling \$288,220 which was handled by Hanover Insurance. This year Hanover has offered another three-year term renewal program with a \$1,592 or

32% increase in premium which is less than the alternative quote received from Travelers with a 38% increase in premium.

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). Since the insurance program renews mid-year and encompasses two fiscal years, an increase in funding for the upcoming fiscal year will be necessary to fund the overall 10.99% 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 that the Board approve the proposed renewal and authorize staff to bind coverage for May 1, 2021 through April 30, 2022 with a current annual premium of \$2,795,001. The renewal premium is based upon the current schedule of values, coverage selections and includes the annual broker fee of \$175,000.00.

ATTACHMENT:

AJG Executive Summary