

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

TO: Board of County Commissioners

THROUGH: John A. Titkanich, Jr., County Administrator
Kristin Daniels, Budget Director

FROM: Cynthia Stanton, Risk Manager

Date: April 7, 2024

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

BACKGROUND:

In preparation for the May 1, 2024, 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 2024 renewal rates. There was a total overall premium increase of 3.08% 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	\$2,108,479.01	\$2,125,422	\$16,942.99	.80%
Property (Utility)	\$60 Mil	\$873,422	\$963,319	\$89,897	10.29%
Flood	Multi	\$9,843	\$10,220	\$377	3.83%
Equipment Breakdown	\$100 Mil	\$12,450	\$14,390	\$1,940	15.58%
Terrorism	\$100 Mil	\$20,000	\$21,910	\$1,910	9.55%
NCBR PD & Liability	\$10 Mil	\$33,500	\$38,700	\$5,200	15.52%
Inland Marine	\$20Mil/\$2.5 Mil	\$119,651	\$131,743	\$12,092	10.11%
Crime	\$1 Mil	\$6,616	\$7,009.40	\$393.40	5.95%
Public Entity Excess Liability	\$2 Mil/\$4Mil	\$222,000	\$243,043	\$21,043	9.48%
Excess Workers Comp	Statutory Max	\$329,233	\$359,259	\$30,026	9.12%
D&B	\$1 Mil	\$58,349.11	\$50,160.64	-8,188.47	-14.03%
Hull/P&I	\$1 Mil	\$5,951	\$6,273	\$322	5.41%
Statutory AD&D	\$75,000	\$12,362	\$13,040	\$678	5.48%
AJG Brokers Fee		\$175,000	\$125,000	-\$50,000	-28.57%
Total		\$3,986,856.12	\$4,109,489.04	\$122,632.92	3.08%

ANALYSIS:

Since 2020, the commercial property insurance market has demonstrated persistent premium increases, specifically in the state of Florida. As we are all aware, Florida is experiencing an affordability crisis in the procurement of property insurance coverage. Fortunately, the 2023 hurricane season passed without any severe incidents, allowing the insurance market to stabilize, and providing a much-needed reprieve from excessive insurance rates. The County's overall premium increase is 3.08% which is quite remarkable compared to last year's increase of 27.91% and the average increase for public entities in Florida is 6% to 12% for FY25.

A copy of the detailed Executive Summary prepared by AJG has been provided for your review. The major highlights of the FY25 renewal are as follows:

Property Program: This remains a layered program with multiple carriers. The renewal is based on a total insured value of \$369,376,074 which is a 9.07% increase. The increase in total value is a result of the County's capital improvement efforts in combination with a 5% trend increase in values. The proposed renewal premium of \$2,125,422 with a 0.80% increase is very favorable and is the lowest increase the County has experienced in 7 years. All policy terms and conditions remain the same.

Inland Marine: This year the program was sent to eleven markets for competitive pricing. The renewal exposure values are up 5.68% and the renewal premium is \$131,743 with a 10.11% increase. The expiring policy had a \$100,000 deductible except for Flood which had a \$250,000 deductible. On renewal, the Named Windstorm deductible will also increase to \$250,000. All other terms and conditions remain the same.

Excess Workers Comp: The Workers Compensation market continues to be limited in Florida for entities with 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 \$359,259 resulting in a 9.12% increase
2. \$1,000,000 deductible with a premium of \$297,627 resulting in a 2.50% increase

Staff recommends option 1 - \$850,000 deductible per claim, which is the same as the expiring policy. All terms and conditions remain the same.

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). The insurance program renews mid-year and encompasses two fiscal years. A budget amendment may be necessary for the additional funds needed this fiscal year as well as an increase in funding for the upcoming fiscal year to fund the 3.08% premium increase. The Self Insurance Fund is supported by all other departments and 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, 2024, through April 30, 2025, with a current annual premium of \$4,109,489.04. The renewal premium is based upon the current schedule of values, coverage selections and includes the annual broker fee of \$125,000.

ATTACHMENT:

AJG Executive Summary