



**PALM BEACH COUNTY
BOARD OF COUNTY COMMISSIONERS**

AGENDA ITEM SUMMARY

Meeting Date: 3/13/07

☒ Consent☐ Regular☐ Ordinance☐ Public Hearing

Department

Submitted By: Risk Management

I. EXECUTIVE BRIEF

Motion and Title: Staff recommends motion to approve: Renewal of the Excess Property & Liability Insurance Program for the period April 1, 2007 through March 31, 2008 purchased through the County's contracted broker, Arthur J. Gallagher & Co., under Contract No. 05-102/LJ, for a total cost not-to-exceed \$14,932,850.

Summary: The Excess Property & Liability Insurance Program currently provides excess layers of property insurance totaling \$150 million inclusive of the County's \$1,000,000 self insured retention and excess layers of liability insurance totaling \$6 million inclusive of the County's \$500,000 self-insured retention. The program also includes various ancillary excess insurance covering damage to County-owned property resulting from flood, terrorism, boiler & machinery, and employee dishonesty. The total not-to-exceed cost of \$14,932,850 is inclusive of anticipated mid-year charges for newly added properties and represents a \$1,011,728 (7.3%) increase over the actual expiring premium. The County's total insurable values will increase 7.7% this year to approximately \$1.74 billion. The increase in costs is also impacted by a 1% Florida Hurricane Catastrophe Fund Emergency Assessment on all Florida insurance policies. Sufficient funds are budgeted in FY 2007 for this coverage. Countywide (TKF)

Background and Justification: (Continued on page 3)

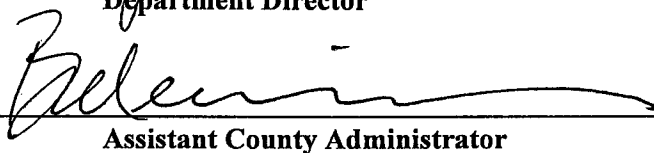
Attachments:

None

Recommended by:


Department Director3/15/07
Date

Approved By:


Assistant County Administrator

Date

II. FISCAL IMPACT ANALYSIS

A. Five Year Summary of Fiscal Impact:

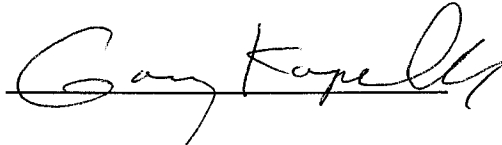
Fiscal Years	2007	2008	2009	2010	2011
Capital Expenditures					
Operating Costs	\$7,466,425	\$7,466,425			
External Revenues					
Program Income (County)					
In Kind Match (County)					
NET FISCAL IMPACT	\$7,466,425	\$7,466,425			
# ADDITIONAL FTE					
POSITIONS (Cumulative)	-----0----				

Is Item Included In Current Budget? Yes ☒ No. ☐
Budget Account No.: Fund see below Agency Org. Object 4501
Reporting Category _____

B. Recommended Sources of Funds/Summary of Fiscal Impact:

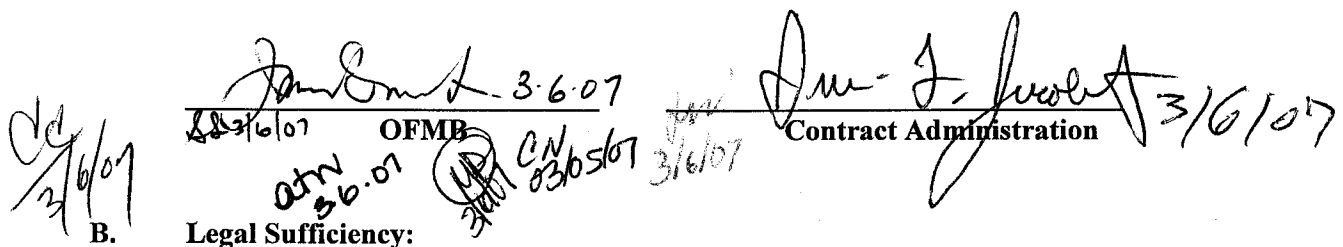
Funding is provided by the following funds:
Fund 5010 @ \$11,292,390 (Risk Management)
Fund 4001 @ \$1,675,576 (Water Utilities)
Fund 4100 @ \$1,964,884 (Airports)

C. Departmental Fiscal Review:



III. REVIEW COMMENTS

A. OFMB Fiscal and/or Contract Administration Comments:


OFMB 3-6-07
Contract Administration 3/6/07
Legal Sufficiency:

B. Legal Sufficiency:


Assistant County Attorney 3/7/07

C. Other Department Review:

Department Director

Background and Justification:

The current \$150 million (only \$100 million of which included coverage for “wind”) structuring of coverage was based upon a variety of factors including probable maximum loss (PML) estimates, as well as the affordability and availability of insurance. A January, 2007 updated hurricane catastrophe analysis was again commissioned by Arthur J. Gallagher & Co. Two leading catastrophe models were run producing estimated “Gross Loss including Demand Surge” PMLs ranging from a \$43 million to a \$116 million PML at the 100 year hurricane level. “Gross Loss” is the estimated insured damage and “Demand Surge” factors in the impact of the post event inflation of building materials and labor. It should be noted that the combined insured loss of Frances & Jeanne was \$3.3 million and insured losses from Wilma are expected to total approximately \$7.2 million. These results provide a reasonable level of comfort if only \$100 million of full (including wind) coverage is purchased again this year.

As in prior years, the Excess Property & Liability Insurance Program reflects the Water Utilities Department’s desire to abstain from insuring property and locations that are either impervious to destruction, located underground or technically obsolete.

Cost increases are primarily the result of increased property values plus the purchase of flood insurance from the National Flood Insurance Program on 31 properties located in Special Hazard Flood Zones A & V. Purchase of this coverage is intended to ensure that, in the event of a future flood, the County will be in compliance with FEMA’s requirements.

The following chart provides a comparison of the actual annual cost by line of insurance for the period 4/1/06 - 3/31/07 to the estimated not-to-exceed cost for the period 4/1/07 - 3/31/08.

Insurance Cost Comparison

Type	Expiring Actual Annual Cost	Estimated Not- To- Exceed Cost
Gov’t Pkg	\$1,751,345	\$1,767,500
Excess Liability	\$ 760,500	\$777,700
Excess Property	\$11,091,872	\$12,054,500
Terrorism	\$239,248	\$232,300
Flood	inc.	\$15,000
Boiler & Machinery	\$ 78,157	\$85,850
TOTAL	\$13, 921,122	\$14,932,850