## PALM BEACH COUNTY BOARD OF COUNTY COMMISSIONERS

## AGENDA ITEM SUMMARY

Meeting Date: 3/17/0	09 [X]	Consent Ordinance		Regular
Department:		— Ordinance	[ ]	Public Hearing
Submitted By:	Risk Managemer	<u>nt</u>		
	<u>I. I</u>	EXECUTIVE BRI	EF	
Liability Insurance Pro	ogram for the perioded broker, Arthur J.	d April 1, 2009 thr	ough March	of the Excess Property & 31, 2010 purchased throught No. 05-102/LJ, for a total
property insurance tot and excess layers of l insured retention. The County-owned prope dishonesty. The total in for newly added prop premium of \$10,923,6 approximately \$1.95 1	aling \$150 million iability insurance to program also incluring from not-to-exceed cost operties and representable. The County's billion. The increase	inclusive of the Containg \$6 million ades various ancillation flood, terrorism of \$12,280,000 is at a \$1,356,170 (1 total insurable value in cost is also in	ounty's \$1,00 inclusive of ary excess in the boiler & inclusive of a 2.4%) increaselues have in the mpacted by a	ly provides excess layers of 20,000 self insured retention the County's \$500,000 self surance covering damage to machinery, and employed anticipated mid-year charge ase over the actual expiring acreased 12.9% this year to a variety of State mandated of this coverage. Countywide
Background and Just	tification: (Continue	ed on page 3)		
<b>Attachments:</b> 1. Budget Availabilit	ty Statement - To	ourist Developme	nt Council	
2. Budget Availabilit	<u>y Statement - Ai</u>	rports		
Recommended by:	Naucy a Department	L Bold	λ	3/4/08 Date
Approved By:	_ 40			3/11/09
-	Assistant Co	unty Administrator	,	Date

## II. FISCAL IMPACT ANALYSIS

A. Five Year Summary of Fig	scal Impact:					
Fiscal Years Capital Expenditures Operating Costs External Revenues Program Income (County) In Kind Match (County)	2009 \$6,140,000	2010 \$ 6,140,000 	2011	2012	2013	
NET FISCAL IMPACT	<u>\$ 6,140,000</u>	<u>\$ 6,140,000</u> _	- W			
# ADDITIONAL FTE POSITIONS (Cumulative)	0					•
Is Item Included In Current I	Budget? Yes_	X No.				
Budget Account No.: Fund s	see below Ager Reporting Ca	ncy Org. (	Object 4	501	•	
B. Recommended Source Funding is provided by Fund 5010 @ \$ 9,545,6 Fund 4100 @ \$ 2,297,4 Fund 1450 @ \$ 436,910	the following following following following the following following the following following the following	ınds: gement)	Impact	<b>:</b>		
C. Departmental Fiscal Revie	w: Gay	Con	1			
	Ш. <u>R</u>	EVIEW COMM	<u>ÆNTS</u>			
A. OFMB Fiscal and/or of	Contract Admir	nistration Com	nents:			
My James OFME	3-9-09	Contract Ad	Iministr	Jerol htion 3/10/09	3/10/	D9
B. Legal Sufficiency:  Assistant County Attor	July mey	7				
C. Other Department Re	view:					
Department D	irector					
-						
This summary is not to be u	ısed as a basis	for payment.				

### **Background and Justification:**

The current \$150 million (only \$100 million of which includes 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 February 2009 updated hurricane catastrophe analysis was again commissioned by Arthur J. Gallagher & Co. The RMS catastrophe model produced an estimated "Gross Loss including Demand Surge" PML of \$99.5 million 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 was \$6.5 million. These results provide a reasonable level of comfort if only \$100 million of "wind" coverage is purchased again this year.

The current excess layers of liability insurance totaling \$6 million, inclusive of the County's \$500,000 self-insured retention, are comprised of a primary layer of \$500,000 excess of a \$500,000 self-insured retention plus a \$5,000,000 secondary layer. The primary layer was provided by a package policy that included a limited (\$1,500,000) amount of property insurance. Replacing the current package policy with one that does not include property coverage but does include \$5,000,000 of excess liability coverage, eliminating the secondary excess liability policy, and restructuring the excess property insurance program to include the \$1,500,000 of property insurance currently provided by the package policy results in a savings of approximately \$1,000,000 in insurance costs for the forthcoming policy period. A review, by Risk Management, of the County's liability claims experience for the past 10 years indicates that a reduction in the total excess liability coverage purchased would have had no negative impact on the County's insured claims experience.

The following chart provides a comparison of the actual annual cost by line of insurance for the period 4/1/08 - 3/31/09 to the estimated not-to-exceed cost for the period 4/1/09 - 3/31/10.

Insurance Cost Comparison

Туре	Expiring Actual Annual Cost	Estimated Not- To- Exceed Cost		
Gov't Pkg	\$ 1,557,303	\$ 1,280,000 (1)		
Excess Liability	\$ 712,468	\$ 0 (2)		
Excess Property	\$ 8,424,918	\$ 10,700,000 (3)		
Terrorism	\$ 155,136	\$ 205,000		
Flood	\$ 17,305	\$ 30,000		
Boiler & Machinery	\$ 56,700	\$ 65,000		
TOTAL	\$ 10,923,830	\$ 12,280,000		

#### notes:

- (1) Excludes \$1,500,000 of property insurance previously included. Includes liability limits of \$5,000,000
- (2) Coverage reduced and consolidated into Gov't Pkg
- (3) Includes the \$1,500,000 of property insurance previously included in the Gov't Pkg

## Tourist Development Council BUDGET AVAILABILITY STATEMENT

BROKER SERVICES: Renewal of Excess Property & Liability Insurance Program for period 4/1/09 thru 3/31/2010.

REQUESTED AMOUNT:

\$436,910

**Budget Account Number:** 

Amount:

450-710-7420-4501

\$436,910

BROKER: Arthur J. Gallagher & Co.

CONTRACT No. 05-102/LJ

Ernest Pena-Roone, Financial Analyst III PBC - Tourist Development Council

# Budget Availability Statement Department of Airports

DATE:

March 5, 2009

TO:

Jerry Kolb

**Budget Analyst** 

FROM:

Fred Passelli

Airport Fiscal Manager

RE:

Property Insurance Renewal 4/1/2009 to 3/31/2010

CC:

File

Please be advised that funds are available in the amount of not to exceed

\$ 2,297,490.00 in account # 4100-120-various-4501 for Property Insurance for the period 4/1/2009 to 3/31/2010

Services provided by Palm Beach County Risk Management Department for the above.

Fred Passelli

(Detect)