

PALM BEACH COUNTY
BOARD OF COUNTY COMMISSIONERS

AGENDA ITEM SUMMARY

Meeting Date: April 2, 2013	<input checked="" type="checkbox"/> [X] Consent	<input type="checkbox"/> [] Regular
	<input type="checkbox"/> [] Ordinance	<input type="checkbox"/> [] Public Hearing

Department:	Risk Management
Submitted By:	Risk Management
Submitted For:	Property and Casualty Division

I. EXECUTIVE BRIEF

Motion and Title: Staff recommends motion to approve:

Renewal of the County's excess property, liability, and workers' compensation insurance program for the period April 1, 2013 through March 31, 2014 purchased through the County's contracted broker, Arthur J. Gallagher Risk Management Services, Inc., under Contract No. 10-042R/LJ, for a total cost not-to-exceed \$11,885,676.

Summary: The projected 2013-2014 renewal figures reflect a challenging insurance market for property and an exceptionally hard market for excess workers' compensation, while the liability insurance market remains stable. As a result, staff recommends purchasing statutory/uncapped excess coverage for workers' compensation above an increased self-insured retention (SIR) of \$2.5M for the first occurrence and \$2M for each occurrence thereafter. The County SIR document will be amended and restated to reflect the change from the expiring policy, which contains an SIR of \$1M per occurrence and excess coverage capped at \$2M. Of the various options considered in the current market the recommended coverage levels offer the most favorable terms. Property and liability coverage levels remain the same as the expiring policy and the County's total insured value currently stands at \$2.35 billion dollars. The total not-to-exceed cost of \$11,885,676 represents an increase of 3% over the expiring program. The cost of the program is also impacted by a variety of state mandated surcharges and assessments. Sufficient funds are budgeted in FY 2013 for this coverage. Countywide (TKF)

Background and Justification: The County's expiring excess insurance program for property, liability, and workers' compensation insurance provides excess layers of property insurance totaling \$200M inclusive of the County's \$1M SIR, excess layers of liability insurance totaling \$5M excess of the County's \$500,000 SIR and \$2M of excess coverage for workers' compensation inclusive of a \$1M self-insured retention. The program also includes various ancillary excess insurance policies covering damage to County-owned property resulting from flood, terrorism, boiler & machinery, and employee dishonesty. **(Continued on page 3)**

Attachments:

1. Budget Availability Statements for Water Utilities, Palm Tran, Airports and Tourist Development Council

Recommended by:	<u>Nancy L. Bolton</u>	<u>3/18/13</u>
	Department Director	Date
Approved By:	<u>[Signature]</u>	
	Assistant County Administrator	Date

II. FISCAL IMPACT ANALYSIS

A. Five Year Summary of Fiscal Impact:

Fiscal Years	2013	2014	2014	2016	2017
Capital Expenditures					
Operating Costs	<u>5,942,838</u>	<u>5,942,838</u>			
External Revenues					
Program Income (County)					
In-Kind Match (County)					
Net Fiscal Impact	<u>0</u>				

ADDITIONAL FTE

POSITIONS (Cumulative)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
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Is Item Included In Current Budget? Yes X No

Budget Account Exp No: Fund VAR Department VAR Unit VAR Object 4501
Rev No: Fund Department Unit Object

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

Funding is provided by the following funds:

Fund 5010-700-7130 (Risk Management) \$7,987,706
Fund 5011-700-7242 (Risk Management) \$507,676
Fund 4100- Detailed on BAS (Airports) \$1,985,124
Fund 1450-710-7420 (Convention Center) \$388,170
Fund 4001-720-1110 (Water Utilities) \$707,000
Fund 1340-540-5160 (Palm Tran) \$310,000

C. Departmental Fiscal Review:

Jessica Kolb

III. REVIEW COMMENTS

A. OFMB Fiscal and/or Contract Dev. and Control Comments:

N. Diaz 3/18/2013
OFMB 3/15

Dr. J. Jacobson 3/22/13
Contract Administration
3-22-13 B. Wheeler

B. Legal Sufficiency:

[Signature]
Assistant County Attorney

C. Other Department Review:

Department Director

This summary is not to be used as a basis for payment.

Background and Justification (continued)

The expiring \$200M (\$80M of which includes coverage for "named windstorm") 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. This coverage has been previously considered reasonable by the State Insurance Commissioner and will remain in place for the 2013 -2014 policy year.

Property limits of \$200M for loss by other than "wind" will continue to cover facilities with replacement values in excess of \$150 million, such as the Courthouse, PBI Main Terminal and the Criminal Justice Center.

The expiring liability/crime package policy provides various types of liability insurance coverage of \$5M, excess of the County's \$500,000 self-insured retention. It also provides limited coverage (\$50,000) for employee dishonesty and theft of money and securities.

Excess workers' compensation insurance has become much more difficult to place as the expiring policy's carrier has exited the market and there are limited carriers to absorb the business. Large increases in claims throughout the industry and underwriter apprehension for entities with police and fire/rescue exposures have resulted in significant premium increases to workers' compensation coverage. This leaves staff with no reasonable alternative but to recommend raising the SIR from the expiring \$1M to \$2.5M for the first claim and \$2M for each claim thereafter. The proposed renewal does include "statutory" coverage (no cap) once the SIR has been reached. This is a significant improvement over the expiring policy, which was limited to \$2M for each claim.

The following chart provides a comparison of the actual annual cost by line of insurance for the period 4/1/12 - 3/31/13 to the estimated not-to-exceed cost for the period 4/1/13 - 3/31/14.

Insurance Cost Comparison

Type	2011-2012 Actual Annual Cost	2012-2013 Actual Annual Cost	2013-2014 Projected Cost
Liability/Crime Package	\$ 1,013,000	\$ 1,013,000	\$ 703,500
Excess Property	\$ 9,612,800	\$ 9,161,037	\$ 9,443,500
Utilities	\$ 520,773	\$ 571,724	\$707,000
Terrorism	\$ 123,711	\$ 117,645	\$ 125,000
Flood	\$16,162	\$16,305	\$ 19,000
Boiler & Machinery	\$66,134	\$67,902	\$ 70,000
Palm Tran Auto/Fleet	\$ 309,877	\$ 309,877	\$310,000
Excess Workers Compensation	\$243,626*	\$297,924	\$507,676
TOTAL	\$ 11,906,083	\$ 11,515,444	\$ 11,885,676**

*Excess Workers' Compensation was added to the insurance portfolio in May of 2011 (10 month premium) and was not factored into the 2011 not to exceed cost listed on the Agenda Item.

**Although the Projected Cost shows an increase, this is a worst case scenario. Our Brokers are aggressively working with the insurers to achieve the lowest possible premiums.

BUDGET AVAILABILITY STATEMENT
Water Utilities Renewal

REQUEST DATE: 2/26/2013 REQUESTED BY Scott Marting PHONE: 233-5432

AMOUNT: \$ 707,000 AGENDA DATE: 3/26/2013

BUDGET ACCOUNT NUMBER (IF KNOWN)

FUND: 4001 DEPT: 720 UNIT: 1110 OBJ: 4501

FUNDING SOURCE:

BAS APPROVED BY:  DATE: 2/27/2013

BUDGET AVAILABILITY STATEMENT
Convention Center Insurance Renewal

REQUEST DATE: 2/26/2013 REQUESTED BY Scott Marting PHONE: 233-5432

AMOUNT: \$ 388,170

AGENDA DATE: 3/26/2013

BUDGET ACCOUNT NUMBER (IF KNOWN)

FUND: 1450 DEPT: 710 UNIT: 7420 OBJ: 4501

FUNDING SOURCE:

BAS APPROVED BY: 

DATE: 2/28/13

BUDGET AVAILABILITY STATEMENT
Airports Property Renewal

REQUEST DATE: 2/26/2013 REQUESTED BY Scott Marting PHONE: 233-5432

AMOUNT: \$ 1,985,124 AGENDA DATE: 3/26/2013

BUDGET ACCOUNT NUMBER (IF KNOWN)

FUND: _____ DEPT: _____ UNIT: _____ OBJ: _____

FUNDING SOURCE:

BAS APPROVED BY: *CM Sumner* DATE: 2/27/13

4100-120-1230-4501	\$9,846.52
4100-120-1240-4501	4,664.02
4100-120-1250-4501	40,178.52
4100-120-1290-4501	45,526.10
4100-120-1320-4501	8,100.15
4100-120-1340-4501	228,272.03
4100-120-1410-4501	10,639.12
4100-120-1430-4501	521,317.03
4100-120-1451-4501	30,711.03
4100-120-1452-4501	45,356.08
4100-120-1530-4501	47,951.40

BSA SBSA	
4100-120-1550-7500	992,562.00

BUDGET AVAILABILITY STATEMENT
Palm Tran Bus Auto Liability Renewal

REQUEST DATE: 2/26/2013 REQUESTED BY Scott Marting PHONE: 233-5432

AMOUNT: \$ 310,000 AGENDA DATE: 3/26/2013

BUDGET ACCOUNT NUMBER (IF KNOWN)

FUND: 1340 DEPT: 540 UNIT: 5160 OBJ: 4501

FUNDING SOURCE:

BAS APPROVED BY:  DATE: 2/27/13