

PALM BEACH COUNTY BOARD OF COUNTY COMMISSIONERS

AGENDA ITEM SUMMARY

Meeting Date: Ap	ril 1, 2014	[X] []	Consent Ordinance	[] []	Regular Public Hearing
Department: Submitted By: Submitted For:	Risk Management Risk Management Property and Case		Division		
<u>,</u>					

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, 2014 through March 31, 2015 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 \$10,886,276.

Summary: The projected 2014-2015 renewal figures reflect a stable insurance market for property and liability, with an exceptionally hard market for excess workers' compensation. As a result, staff recommends purchasing statutory/uncapped excess coverage for workers' compensation above the self-insured retention (SIR) of \$2.5M for each occurrence, eliminating the lesser SIR of \$2M for subsequent claims filed. Property and liability coverage levels remain the same as the expiring policy and the County's total insured value currently stands at \$2.4 billion dollars. The total not-to-exceed cost of \$10,886,276 represents a decrease of approximately 6% 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 2014 for this coverage. <u>Countywide (TKF)</u>

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 excess coverage for workers' compensation inclusive of a \$2.5M first claim and \$2M each claim thereafter SIR with no statutory cap. 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, Development Council Airports and Tourist

Recommended by: <u>Namey</u> Department Dir

Approved By:

Assistant County Administrator

Date

A. Five Year Summary of Fiscal Impact:

Fiscal Years	2014	2015	2016	2017	2018
Capital Expenditures					
Operating Costs	5,433,138	5,433,138			<u></u>
External Revenues					
Program Income (County)					
In-Kind Match (County)				•	
Net Fiscal Impact	0				
# ADDITIONAL FTE POSITIONS (Cumulative)	0	0	0	0	0
Is Item Included In Current Bu	dget? Yes _	_X No			
Budget Account Exp No: Fund	l VAR Departm	nent VAR Unit \	/AR Objec	t 4501	

Rev No: Fund ____ Department ____ Unit ____ Object____

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

Funding is provided by the following funds:

\$6,285,517
\$929,180
\$499,493
\$1,985,124
\$388,170
\$798,792

C. Departmental Fiscal Review:

III. REVIEW COMMENTS

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

by the OFMB Sivily

Contract Administration 3-14-14 Biwhich

B. Legal Sufficiency:

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 2014 -2015 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, PBIA 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 continues to be difficult to place. 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 \$2.5M/\$2M to \$2.5M for all claims. The proposed renewal does include "statutory" coverage (no cap) once the SIR has been reached.

The following chart provides a comparison of the actual annual cost by line of insurance for the period 4/1/13 - 3/31/14 to the estimated not-to-exceed cost for the period 4/1/14 - 3/31/15.

Insurance Cost Companson							
Туре	2012-2013	2013-2014	2014-2015				
	Actual Annual Cost	Actual Annual Cost	Projected Cost				
Liability/Crime	\$ 1,013,000	\$ 850,920	\$ 871,180				
Package							
Excess Property	\$ 9,161,037	\$ 9,341,085	\$ 8,463,577.62				
Utilities	\$ 571,724	\$ 675,521	\$798,792**				
Terrorism	\$ 117,645	\$ 121,560	\$ 104,845.50				
Flood	\$16,305	\$16,731	\$ 20,000				
Boiler & Machinery	\$67,902	\$69,337	\$ 70,387.41				
Palm Tran	\$ 309,877	N/A -Included In the	N/A -Included In the				
Auto/Fleet		Liability Package	Liability Package				
Excess Workers	\$297,924	\$507,676	\$499,493				
Compensation							
Cyber Liability	Not Purchased	Not Purchased	\$58,000				
TOTAL	\$ 11,515,444	\$ 11,582,830	\$ 10,886,275.53				
Total Cost	N/A	N/A	\$696,554.47				
Reduction							

Insurance Cost Comparison

** The increase in the Utilities premium is due to the merger of the GUA into the County insurance program.

BUDGET AVAILABILITY STATEMENT Water Utilities Renewal

REQUEST DATE: 3/4/2014 REQUESTED BY Scott Marting PHONE: 233-5432

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AMOUNT: <u>\$ 799,000</u>

AGENDA DATE<u>: 4/1/2014</u>_____

BUDGET ACCOUNT NUMBER:

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

FUNDING SOURCE:

DATE: 3/5/2014 BAS APPROVED BY:

BUDGET AVAILABILITY STATEMENT Airports Property Renewal

REQUEST DATE: 3/4/2014 REQUESTED BY Scott Marting PHONE: 233-5432

AMOUNT: <u>\$ 1,985,124</u>

AGENDA DATE<u>: 4/1/2014</u>

BUDGET ACCOUNT NUMBER:

() FUND: 4100 DEPT: 120 UNIT: VAR1045 OBJ: 4501

FUNDING SOURCE: Airport Revenues

CMSIL **BAS APPROVED BY:**

DATE: 3/14/14

DEPARTMENT OF AIRPORTS Airport Property Insurance Premium

4/01/14 to 4/01/15

LANTANA	0.99%	\$ 9,846.52	4100	120	1230	4501
GLADES	0.47%	\$ 4,664.02	4100	120	1240	4501
ADMINISTRATION	4.05%	\$ 40,178.52	4100	120	1250	4501
INDIRECT OPERATIONS	4.59%	\$ 45,526.10	4100	120	1280	4501
AIRSIDE	0.82%	\$ 8,100.15	4100	120	1320	4501
GROUND TRANS.	23.00%	\$ 228,272.03	4100	120	1340	4501
FIS TERMINAL	1.07%	\$ 10,639.12	4100	120	1410	4501
TERMINAL	52.52%	\$ 521,317.03	4100	120	1430	4501
AVIATION	3.09%	\$ 30,711.03	4100	120	1451	4501
NON-AVIATION	4.57%	\$ 45,356.08	4100	120	1452	4501
NCA	4.83%	\$ 47,951.40	4100	120	1550	4501
				BSA	SE	BSA
PREPAID INSURANCE	100%	\$ 992,562.00	4100	120	1550	7500

TOTAL PREMIUM	\$	1,985,124.00
	\$	1,985,124.00

BUDGET AVAILABILITY STATEMENT **Convention Center Property Renewal**

REQUEST DATE: 3/4/2014 REQUESTED BY Scott Marting PHONE: 233-5432

AMOUNT: <u>\$ 388,170</u>

AGENDA DATE<u>: 4/1/2014</u>

BUDGET ACCOUNT NUMBER:

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

FUNDING SOURCE:

BAS APPROVED BY: Mate: 3/5/17