

**PALM BEACH COUNTY
BOARD OF COUNTY COMMISSIONERS**

AGENDA ITEM SUMMARY

Meeting Date: March 22, 2016	[X]	Consent	[]	Regular
	[]	Ordinance	[]	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, 2016 through March 31, 2017 purchased through the County’s contracted broker, Arthur J. Gallagher Risk Management Services, Inc., under Contract No. 15-050/LJ, for a total cost not-to-exceed \$9,433,820.

Summary: The projected 2016-2017 excess insurance program renewal premiums reflect a total cost not-to-exceed \$9,433,820, representing an estimated decrease of approximately 9.7% (\$1,017,564) over the expiring program cost. The decrease indicates a softening insurance market for the County’s property, liability, and workers’ compensation exposures. The projected cost reflects an accurate current quotation of the final program renewal premiums; however the broker will continue to negotiate with the excess carriers until the March 31st program expiration to potentially achieve a greater percentage of savings prior to the final binding of coverage on April 1st. The County’s total insurable value of its buildings currently stands at \$2.47 billion. The amount of property insurance purchased contemplates probable maximum loss modeling of various possible loss scenarios and includes a \$1 million self insured retention (SIR) and a 5% windstorm deductible per insured location. The program also includes excess liability insurance covering \$5 million excess of a \$500,000 SIR per occurrence, and excess workers’ compensation insurance covering all costs excess of a \$2 million SIR per occurrence. All state mandated surcharges and assessments are contained within the estimated cost. Sufficient funds are budgeted in FY 2016 / 2017 for this coverage. **Countywide (HH)**

Background and Justification: The County’s expiring excess insurance program for property, liability, and workers’ compensation insurance provides excess layers of property insurance totaling \$200 million inclusive of the County’s \$1 million SIR, excess layers of liability insurance totaling \$5 million excess of the County’s \$500,000 SIR, and excess coverage for workers’ compensation inclusive of a \$2 million per claim SIR with statutory limits (no 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: None.

Recommended by: <u>Nancy L. Bolten</u>	<u>3/4/16</u>
Department Director	Date
Approved By: <u>[Signature]</u>	<u>3-9-16</u>
Assistant County Administrator	Date

II. FISCAL IMPACT ANALYSIS

A. Five Year Summary of Fiscal Impact:

Fiscal Years	2016	2017	2018	2019	2020
Capital Expenditures					
Operating Costs	\$4,716,910	\$4,716,910			
External Revenues					
Program Income (County)					
In-Kind Match (County)					
Net Fiscal Impact	\$4,716,910	\$4,716,910			

ADDITIONAL FTE

POSITIONS (Cumulative)	0	0	0	0	0
-------------------------------	----------	----------	----------	----------	----------

Is Item Included In Current Budget? Yes X No _____

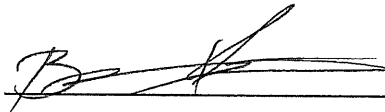
Budget Account Exp No: Fund VAR Department VAR Unit VAR Object 4501
 Rev No: Fund _____ Department _____ Unit _____ Object _____

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

Funding is provided by the following funds:

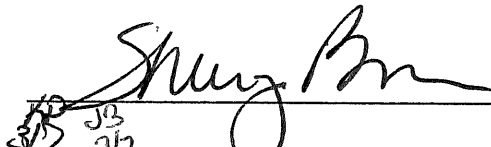
Fund 5010-700-7130 (Risk Management Property)	\$5,579,931
Fund 5010-700-7130 (Risk Management Liability)	\$930,000
Fund 5011-700-7242 (Risk Management Work Comp)	\$480,040
Fund 4100- Detailed on BAS (Airports)	\$1,393,756
Fund 1450-710-7420 (Tourist Development)	\$363,096
Fund 4001-720-1110 (Water Utilities)	\$686,997

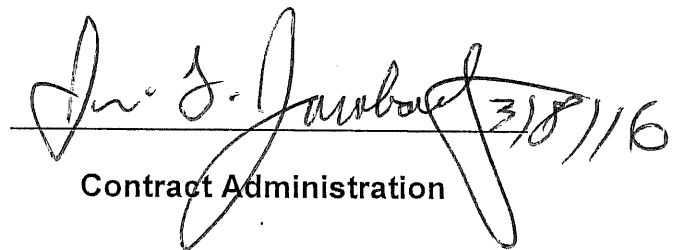
C. Departmental Fiscal Review:



III. REVIEW COMMENTS

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


 3/5 3/17
 OFMB


 3/18/16
 Contract Administration

B. Legal Sufficiency:


 3-9-16
 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 \$200 million (\$100 million 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 staff recommends it remain in place for the 2016 -2017 policy year unless higher limits can be secured prior to renewal within the not-to-exceed amount approved by the Board.

Property limits of \$200 million 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 \$5 million, excess of the County’s \$500,000 SIR. This coverage model contemplates the need for a Claims Bill approved by the Florida Legislature prior to any settlement or payment by the policy. The program also provides limited coverage (\$50,000) for employee dishonesty and theft of money and securities as well as a \$2 million sublimit for cyber liability.

A slight softening in the excess workers’ compensation insurance market has allowed the County to obtain a quote for coverage which will lower the SIR from \$2.5 million to \$2 million while maintaining all other benefits including no “statutory” cap. In conjunction with Board approval, the Self Insured Plan Document will be modified to reflect the change in the SIR amount.

The following chart provides a comparison of the actual annual cost by line of insurance for the period 4/1/13 - 3/31/16 to the estimated not-to-exceed cost for the period 4/1/16 - 3/31/17.

Insurance Cost Comparison

	2013-2014	2014-2015	2015-2016	2016-2017 ESTIMATE
Property Limits				
Municipal Property				
• All Other Perils	\$200 Million	\$200 Million	\$200 Million	\$200 Million
• Named Wind	\$80 Million	\$80 Million	\$100 Million	\$100 Million
Utilities Property				
• All Other Perils	\$200 Million	\$200 Million	\$200 Million	\$200 Million
• Named Wind	\$50 Million	\$50 Million	\$50 Million	\$50 Million
Premiums (including taxes, fees, assessments)				
Municipality Property Program	\$9,341,085.00	\$8,463,577.62	\$8,046,742.00	\$7,170,963.00
Water Utilities District Property Program	\$675,521.00	\$798,792.00	\$749,833.70	\$686,997.00
Terrorism	\$121,560.00	\$104,845.50	\$76,700.00	\$60,000.00
Boiler & Machinery	\$69,337.00	\$70,387.41	\$78,158.00	\$75,820.00
Package Policy	\$850,920.00	\$871,180.00	\$926,966.00	\$930,000.00
Flood	\$16,731.00	\$17,828.00	\$27,328.00	\$30,000.00
Excess Workers’ Compensation	\$507,676.00	\$508,125.00	\$545,657.00	\$480,040.00
TOTAL COST	\$11,582,830.00	\$10,834,735.53	\$10,451,384.70	\$9,433,820.00
PROJECTED COST REDUCTION				\$1,017,564.70 or 9.7%