Agenda Item #: 3Z-2

PALM BEACH COUNTY BOARD OF COUNTY COMMISSIONERS

AGENDA ITEM SUMMARY

Meeting Date: Mar	ch 13, 2018	[X]	Consent Ordinance	[]	Regular Public Hearing
Department: Submitted By: Submitted For:	Risk Management Risk Management 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, 2018 through March 31, 2019 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 \$10,193,006.

Summary: The projected 2018-2019 excess insurance program renewal premiums reflect a total not-to-exceed cost of \$10,193,006, which is an 8.8% increase over the expiring premium. The overall County program remains very stable, however market rates are up substantially due to numerous natural disasters recorded in the last 12 months. While the largest impact is on property premiums, several other areas are also showing rate increases. The current premium projection is a worst-case scenario and our broker will continue to negotiate with excess carriers until the April 1st renewal. The County's total insurable property value currently stands at \$2.55 billion. Our coverage limits contemplate probable maximum loss modeling using various scenarios and include a \$1 million self-insured retention (SIR) with a 4% windstorm deductible per insured location. The program also includes \$5 million of excess liability insurance and excess workers' compensation insurance covering all costs in excess of \$2 million per occurrence. All state mandated surcharges and assessments are included within the estimated cost. Sufficient funds are budgeted 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:

- 1. Budget Statement Airports
- 2. Budget Statement Water Utilities
- 3. Budget Statement Tourist Development

Recommended by:

Approved By:

Department Director

Assistant County Administrator

Date

Date

II. FISCAL IMPACT ANALYSIS

A. Five Year Summary of Fiscal Impact: **Fiscal Years** 2018 2019 2020 2021 2022 **Capital Expenditures** \$5,096,503 **Operating Costs** \$5,096,503 **External Revenues Program Income (County) In-Kind Match (County) Net Fiscal Impact** \$5,096,503 \$5,096,503 **# ADDITIONAL FTE POSITIONS (Cumulative)** 0 0 0 0 Is Item Included In Current Budget? Yes X No Does this item include the use of federal funds? Yes_ Budget Account Exp No: Fund <u>VAR</u> Department <u>VAR</u> Unit <u>VAR</u> Object <u>4501</u> 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) \$5,465,128 Fund 5010-700-7130 (Risk Management Liability) \$976,000 Fund 5011-700-7242 (Risk Management Work Comp) \$488,369 Fund 4100-120-Various (Airports) \$1,506,120 Fund 1450-710-7420 (Tourist Development) \$967,389 Fund 4001-720-1110 (Water Utilities) \$790,000 / Total \$10,193,006 C. Departmental Fiscal Review: 34 **III. REVIEW COMMENTS** A. OFMB Fiscal and/or Contract Dev. and Control Comments: 2/21 Contract Administration OFMB 2/13/18 00 В. **Legal Sufficiency:** 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 (\$115 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. Previously, a lower limit of windstorm coverage was considered reasonable by the State Insurance Commissioner. While the State no longer makes those determinations, our substantial increase in coverage (from \$80 million to \$115 million) shows an even more robust and comprehensive program. As such, staff recommends it remain in place for the 2018 - 2019 policy year.

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, PBIA 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.

There was a slight decrease in the excess workers' compensation premium. We will maintain our limits beginning at \$2 million, and all other benefits including no "statutory" cap will remain the same.

The following chart provides a comparison of the annual cost by line of insurance for the period 4/1/16-3/31/17, and 4/1/17-3/31/18 to the estimated not-to-exceed cost for the upcoming period 4/1/18-3/31/19.

Insurance Cost Comparison

	2016-2017	2017-2018	2018-2019 Estimates High End			
Property Limits						
Municipal Property						
All Other Perils	\$200 Million	\$200 Million	\$200 Million			
Named Wind	\$100 Million	\$115 Million	\$115 Million			
Utilities Property						
All Other Perils	\$200 Million	\$200 Million	\$200 Million			
Named Wind	\$50 Million	\$50 Million	\$50 Million			
Premiums (including ta	Premiums (including taxes, fees, assessments)					
Municipality Property Program	\$7,169,433.00	\$7,083,596.00	\$7,742,500.00			
Water Utilities District Property Program	\$687,424.10	\$687,529.00	\$790,000.00			
Terrorism	\$60,000.00	\$60,000.00	\$75,000.00			
Boiler & Machinery	\$75,820.00	\$78,503.00	\$90,137.00			
Package Policy	\$930,000.00	\$930,000.00	,\$976,000.00			
Flood	\$29,274.00	\$29,310.00	\$31,000.00			
Excess Workers' Compensation	\$480,040.00	\$500,780.00	\$488,369.00			
TOTAL COST	\$9,431,991.10	\$9,369,718.00	\$10,193,006.00			
	8.8% \$823,288.00					

BUDGET AVAILABILITY STATEMENT RISK MANAGEMENT

REQUEST DATE: 2/9/201	8 REQUESTED BY	Y: Risk Managemer	<u>1t</u>
REQUESTED FOR: Airports	s -Property Insurance Ren	newal	
REQUESTED AMOUNT: \$1.	.506,210 AGENDA DAT	E: <u>3/13/2018</u>	-
BUDGET ACCOUNT NUME	BER:		
Fund: 4100 Dept: 120	Unit: Various Obj:	4501 Prog.	Prog Per.
4		1	t
BAS APPROVED BY:	MSunn	DATE: 2/13	18
LANTANA	\$7,471.03	4100-120-123	0_4501
GLADES	\$3,538.82	4100-120-124	
ADMINISTRATION	\$30,485.39	4100-120-125	
INDIRECT OPERATIONS	\$34,542.86	4100-120-128	
AIRSIDE	\$6,145.98	4100-120-132	
GROUNDS TRANSPORTATION	\$173,201.08	4100-120-134	
FIS. TERMINAL	\$8,072.42	4100-120-141	•
TERMINAL	\$395,548.55	4100-120-143	
AVIATION	\$23,301.95	4100-120-145	
NON-AVIATION	\$34,413.86	4100-120-145	1-4501
NORTH COUNTY AVIATION	\$36,383.06	4100-120-155	
		D.C.A	CD CA

\$753,105.00 4100-120-1550-7500

PREPAID INSURANCE

BUDGET AVAILABILITY STATEMENT RISK MANAGEMENT

REQUEST DATE:	2/9/18_REQUES	ΓED BY: <u>Risk Man</u>	agement	
REQUESTED FOR: WUD Property Insurance Renewal				
REQUESTED AMOUNT: \$790,000 AGENDA DATE: 3/13/2018				
BUDGET ACCOUNT NUMBER:				
Fund: 4001 Dept	: 720 Unit:	1110 Obj: 45 0	Prog.	Prog Per.
				\
Q 1 A 3/14/11				
BAS APPROVED BY: DATE: 0/14/19				

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BUDGET AVAILABILITY STATEMENT RISK MANAGEMENT

REQUEST DATE: 2/13/2018 REQUESTED BY: Risk Management

REQUESTED FOR: Property Insurance Renewal

REQUESTED AMOUNT: \$967,389.78 AGENDA DATE: 3/13/2018

BUDGET ACCOUNT NUMBER:

Fund:	Dept:	Unit.	Obj: Prog. Prog.	Prog Per
			,	

BAS APPROVED BY: DATE: 2/15/18

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