PALM BEACH COUNTY BOARD OF COUNTY COMMISSIONERS

AGENDA ITEM SUMMARY

Meeting Date: Ma	rch 17, 2020	[X] []	Consent Ordinance	[]	Regular Public Hearing	
Department: Submitted By: Submitted For:	Risk Manageme Risk Manageme Property and C	ent)ivision			

I. EXECUTIVE BRIEF

Motion and Title: Staff recommends motion to approve: Renewal of the excess property, excess liability, and excess workers' compensation insurance programs for the period April 1, 2020 through March 31, 2021 purchased under Contract No. 15-050/LJ through the County's contracted broker, Arthur J. Gallagher Risk Management Services, Inc., at a total cost not-to-exceed \$11,415,154.

Summary: The projected 2020-2021 excess insurance program renewal premiums reflect a total not-to-exceed cost of \$11,415,154, which is a 12% increase over the expiring premium. While the County's loss experience has remained stable, the insurance industry has responded to numerous catastrophic events resulting in substantial losses. As a result, rate increases are being assessed on most lines of coverage, regardless of the County's loss experience. The current estimated premiums represent the highest price point. The contracted broker will continue to negotiate with excess carriers until the April 1st renewal date. The County's total insurable property value currently stands at \$2.6 billion. Coverage limits contemplate probable maximum loss estimates using various modeling 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 coverage provides excess layers of insurance totaling \$200 million inclusive of the County's \$1 million SIR. Excess layers of liability insurance totaling \$5 million in 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, employee dishonesty, and cyber security. **(Continued on page 3)**

Attachments:

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

Recommended by:

Department Director

Approved By:

Assistant County Administrator

Date

2/25/2020

Date

II. FISCAL IMPACT ANALYSIS A. Five Year Summary of Fiscal Impact:

Fiscal Years	2020	2021	2022	2023	2024		
Capital Expenditures Operating Costs External Revenues Program Income (County)	\$5,707,577	\$5,707,577					
In-Kind Match (County)							
Net Fiscal Impact	\$5,707,577	\$5,707,577	E. C.				
# ADDITIONAL FTE POSITIONS (Cumulative)	0	0	0	0	0		
Is Item Included In Current Does this item include the				_X			
Budget Account Exp No: Fu Rev No: F		ent <u>VAR</u> Unit <u>VAR</u> ment Unit _					
B. Recommended Sources Fund 5010-700-7130 Fund 5011-700-7242 Fund 4100-120-Vario Fund 4001-720-1110 Funds 1450, 1453, 14	(Risk Manageme (Risk Manageme us (Airports) (Water Utilities)	nt Property & Cas nt Workers' Comp	sualty) o)	\$7,316,10 \$538,25 \$1,871,10 \$870,30 t) \$819,39	3 1 0		
Total C. Departmental Fiscal Rev	view:	1		\$11,415,15 ₄	4		
C. Departmental Fiscal Re		OMMENTS					
A OEMP Fiscal and/or Co	III. REVIEW C		sto:				
A. OFMB Fiscal and/or Contract Dev. and Control Comments: OFMB OFMB OFMB Contract Administration 2/28/2020 To							
Assistant County At	<i>∫ 3-2-2020</i> torney	/	i jui				
C. Other Department Revi	ew:						

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

Department Director

Page 3 - Background and Justification (continued)

The expiring policy with \$200 million limits (\$130 million limits for "named windstorm") was possible due to the availability of coverage at a reasonable price and selected using numerous factors including catastrophe modeling to predict probable maximum loss (PML) and average annual loss (AAL). Previously, the County purchased lower limits of named windstorm coverage, and those limits were deemed reasonable by the State Insurance Commissioner. While the State no longer reviews insurance programs, the current limits are higher than when the coverage was deemed reasonable. As such, staff recommends the current limits remain in place for the 2020-2021 policy year.

Property limits of \$200 million for losses caused by perils other than wind will continue to safeguard large facilities with replacement values in excess of \$150 million, such as the Courthouse, PBIA's Main Terminal and the Criminal Justice Center.

The expiring liability and crime package policy provide a broad range of liability insurance coverage with limits of \$5 million, excess of the County's \$500,000 SIR. The program includes limited coverage (\$50,000) for employee dishonesty and theft of money and securities as well as enhanced coverage for cyber liability in the amount of \$5 million. The overall package is designed to protect the County against the possibility of a Claims Bill approved by the Florida Legislature where an award could be made in excess of sovereign immunity limits.

In the excess workers' compensation renewal, there was an approximately 8% increase in the premium over the prior year. This is mainly the result of an increase in payroll and a new mandatory assessment from the State of Florida. The self-insured retention of \$2 million, and all other benefits including no statutory cap remain unchanged from the prior year.

The following chart provides a comparison of the annual cost by line of insurance for the period 4/1/16 - 3/31/17, 4/1/17 - 3/31/18, 4/1/18 - 3/31/19, 4/1/19 - 3/31/20 to the estimated, "not-to-exceed" cost for the upcoming period 4/1/20 - 3/31/21.

Insurance Cost Comparison

	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	
Property Limits							
Municipal Property							
All Other Perils	\$200 Million	\$200 Million	\$200 Million	\$200 Million	\$200 Million	\$200 Million	
 Named Wind 	\$100 Million	\$100 Million	\$115 Million	\$130 Million	\$130 Million	\$130 Million	
Utilities Property							
 All Other Perils 	\$200 Million	\$200 Million	\$200 Million	\$200 Million	\$200 Million	\$200 Million	
 Named Wind 	\$50 Million	\$50 Million	\$50 Million	\$50 Million	\$50 Million	\$50 Million	
Property Named Storn	n Deductibles						
Municipal Property	5%	5%	4%/\$25 Million CAP	4%/\$25 Million CAP	4%/\$25 Million CAP	4%/\$25 Million CAP	
Utilities Property	5%	5%	4%	4%	4%	4%	
Premiums (including t	axes, fees, assess	ments)					
Municipality Property Program	\$8,046,742.00	\$7,169,433.00	\$7,083,596.00	\$7,418,005.00	\$7,742,571.00	\$8,810,363.00	
Water Utilities District Property Program	\$749,833.70	\$687,424.10	\$687,529.00	\$792,500.00	\$792,403.00	\$870,300.00	
Terrorism	\$76,700.00	\$60,000.00	\$60,000.00	\$49,700.00	\$49,700.00	\$55,000.00	
Boiler & Machinery	\$78,158.00	\$75,820.00	\$78,503.00	\$90,137.00	\$72,533.00	\$93,229.00	
Package Policy	\$926,966.00	\$930,000.00	\$930,000.00	\$976,000.00	\$927,850.00	\$955,000.00	
Cyber Liability	Included	Included	Included	Included	\$60,000.00	\$60,000.00	
Flood	\$27,328.00	\$29,274.00	\$29,310.00	\$31,047.00	\$32,334.00	\$33,009.00	
Excess Workers' Compensation	\$545,657.00	\$480,040.00	\$500,780.00	\$488,369.00	\$498,211.00	\$538,253.00	
TOTAL COST	\$10,451,384.70	\$9,431,991.10	\$9,369,718.00	\$9,808,683.63	\$10,175,602.00	\$11,415,154.00	
PROJECTED COST VARIANCE TO EXPIRING							

BUDGET AVAILABILITY STATEMENT RISK MANAGEMENT

REQUEST DATE: <u>2/18/2020</u> REQUESTED BY: Risk Management
REQUESTED FOR: Property Insurance Renewal
REQUESTED AMOUNT: \$1,871,101 AGENDA DATE: 3/17/2020
BUDGET ACCOUNT NUMBER:
Fund: 4100 Dept: 130 Unit: VARious Obj: 4501 Prog. Prog. Per.
BAS APPROVED BY: WIMMUNIMIN DATE: 2/30/3020
(1) 1230, 1240, 1250, 1280, 1320, 1410, 1430, 1451, 1452, 1550

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DEPARTMENT OF AIRPORTS Airport Property Insurance Premium

4/01/20 to 4/01/21

LANTANA	0.99%	\$ 9,280.94	4100	120	1230	4501
GLADES	0.47%	\$ 4,396.12	4100	120	1240	4501
ADMINISTRATION	4.05%	\$ 37,870.71	4100	120	1250	4501
INDIRECT OPERATIONS	4.59%	\$ 42,911.13	4100	120	1280	4501
AIRSIDE	0.82%	\$ - 7,634.89	4100	120	1320	4501
GROUND TRANS.	23.00%	\$ 215,160.38	4100	120	1340	4501
FIS TERMINAL	1.07%	\$ 10,028.03	4100	120	1410	4501
TERMINAL	52.52%	\$ 491,373.25	4100	120	1430	4501
AVIATION	3.09%	\$ 28,947.03	4100	120	1451	4501
NON-AVIATION	4.57%	\$ 42,750.88	4100	120	1452	4501
NCA	4.83%	\$ 45,197.14	4100	120	1550	4501
				BSA	SE	BSA
PREPAID INSURANCE	100%	\$ 935,550.50	4100	120	1550	7500

\$ 1,871,101.00 \$ 1,871,101.00 TOTAL PREMIUM

BUDGET AVAILABILITY STATEMENT RISK MANAGEMENT

REQUEST DATE: 2/18/2020 REQUESTED BY: Risk Management
REQUESTED FOR: Property Insurance Renewal
REQUESTED AMOUNT: \$870,300 AGENDA DATE: 3/17/2020
BUDGET ACCOUNT NUMBER:
Fund: Got Dept: To Unit: Obj: 4501 Prog. Prog. Per.
BAS APPROVED BY: DATE: 3/30/71

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BUDGET AVAILABILITY STATEMENT RISK MANAGEMENT

REQUEST DATE: <u>2/18/2020</u>	REQUESTED BY: Risk Management	<u>nt</u>
REQUESTED FOR: Property Insura	ance Renewal	
REQUESTED AMOUNT: \$819,39	92AGENDA DATE:3/17/2	020
BUDGET ACCOUNT NUMBER:		
Fund: Dept: Uni	it: Obj: Prog.	Prog Per.
BAS APPROVED BY:	DATE: 2/	124/20
nr. Ctr.	313,606.30	1450-710-7420-4501
nv. Ctr Garage	118,019.44	, , , , , , , , , , , , , , , , , , , ,
ser Dean Stobium	109,126.15	1453-710-7310-4501
11 Park of the Palm Blacks	277,735.42 /	458-710-7310-4501
oc misco	904.22	454.710-7310-4501

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819,391.53.