

**SEMINOLE COUNTY GOVERNMENT
AGENDA MEMORANDUM**

SUBJECT: Self-Insurance Program Renewal

DEPARTMENT: Administrative Services **DIVISION:** Risk Management

AUTHORIZED BY: Jamie Croteau *JC/SP* **CONTACT:** Linda Eiland *LE/SP* **EXT.** 5950

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|---|
| Agenda Date <u>09/23/03</u> Regular <input checked="" type="checkbox"/> Consent <input type="checkbox"/> Work Session <input type="checkbox"/> Briefing <input type="checkbox"/> |
| Public Hearing – 1:30 <input type="checkbox"/> Public Hearing – 7:00 <input type="checkbox"/> |

MOTION/RECOMMENDATION:

Authorization to renew Self-Insurance Program through Arthur J. Gallagher & Company effective 10/01/03, and authorization for Chairman to execute agreements.

BACKGROUND:

On March 24, 1998, the Board of County Commissioners approved a Broker Services Contract with Arthur J. Gallagher & Company. This contract includes brokering of Property, Liability, and Workers' Compensation coverages and Third Party Claims Administration services on behalf of Seminole County.

Arthur J. Gallagher & Company has presented renewal of the County's Self-Insurance Program at an estimated annual cost of \$2,653,789. This represents a 60% increase over FY 02/03 costs.

| |
|--------------------------------|
| Reviewed by: |
| Co Atty: _____ |
| DFS: _____ |
| Other: _____ |
| DCM: <i>[Signature]</i> |
| CM: <i>[Signature]</i> |
| File No. <u>RASR01</u> |

The largest increase to the County is in the area of workers' compensation. The London package, which is the first layer of coverage after the County's self-insured retention (SIR) increased 57.6%. Arthur J. Gallagher approached insurance carriers such as Coregis, Score re, Discovery Re, General-Re and St. Paul on behalf of the County. These carriers provide similar coverage to the County's London Package program. None were interested in quoting due to the County's renewal premium in comparison to our adverse loss history. From 1997 to 2001, our London Package Loss Ratio has been an average of 207%. The excess workers' compensation policy which provides statutory coverage beyond the County's SIR and the London layer, increased by 188%. This is a direct result of the County's increasing experience. Even though this is a substantial increase, it still remains the most competitive program available. The County's Loss ratio with Safety National for the past five (5) years is 341%.

Attachment A provides a summary of each line of coverage, the county's self-insured retentions (SIR's), FY 02/03 premium and FY 03/04 premium.

The County currently has terrorism coverage included in the package policy. London and the excess property carriers have carved this coverage out and provided a separate quote totaling \$130,080 for FY 03/04.

The Broker and Staff are not recommending purchase of the terrorism rider in the London package layer due to the cost of \$94,900 and the fact that the London package layer only covers \$800,000 per occurrence as compared to the excess property layers covering \$109,000,000 per occurrence. Under this scenario, the county would be self insuring the first \$1,000,000 per occurrence in the event of a terrorist loss. However, staff is recommending purchase of a terrorism rider on the excess property layers at an estimated cost of \$35,180.

Staff is recommending renewal through Arthur J. Gallagher & Company for an estimated cost of \$2,688,969.

Staff has budgeted \$2,186,592 for these coverages. Due to these changes, the Other Bonds & Policies account line for FY 03/04 will require an increase of \$502,377. This adjustment will be made at the 2nd Public Hearing. Due to reimbursements from the excess carriers during FY 02/03 being higher than projected, staff anticipates cash carry forward to be higher. It is anticipated that this higher carry forward will offset the increase. Any additional adjustments will be made at midyear.

ATTACHMENT A

**SEMINOLE COUNTY BOARD OF COUNTY COMMISSIONERS
INSURANCE PROGRAM RENEWAL**

2003 – 2004

| <u>Renewal Program</u> | <u>2002 - 2003</u> | <u>03-04 Broker Recommendation</u> |
|------------------------|------------------------|------------------------------------|
| London Package: | | |
| Property: | \$800,000 xs \$200,000 | \$800,000 xs \$200,000 |
| General Liability: | \$900,000 xs \$100,000 | \$900,000 xs \$100,000 |
| Automobile Liability: | \$900,000 xs \$100,000 | \$900,000 xs \$100,000 |
| Errors & Omissions: | \$900,000 xs \$100,000 | \$900,000 xs \$100,000 |
| Workers Compensation: | \$200,000 xs \$200,000 | \$200,000 xs \$200,000 |
| Crime: | \$225,000 xs \$ 25,000 | \$225,000 xs \$ 25,000 |
| Annual Premium: | \$825,000 | \$1,300,000 |

A 2% Wind deductible applies to affected values with a \$500,000 maximum limit, the minimum shall not be less than the Section I Self Insured Retention. (Excess Property carriers also have a 2% deductible, however they all will follow form to the full T.I.V.'s of 246,000,000)

- A 3,300,000 Minimum Aggregate Stop Loss will apply. The maximum aggregate stop loss will be determined at the 48 month of the existing renewal year of 2003/2004, at 125% of losses at that time. This is a safe guard to the County.
- Mold is Excluded
- Flood Zones V are Excluded: (It is our understanding that the County does not have any locations in this zone.)
- Flood Zones A are excess of Federal Flood limits
- Flood and Earthquake are Included with an annual aggregate of \$800,000.
- Coverage for Terrorism can be extended on all lines of business for an additional \$94,900.00 in annual premium. Note: Terrorism cannot be excluded for Workers Compensation.

Excess Workers Compensation

02 - 03 Program
Statutory Limits xs \$400,000 Retention
Annual Premium: **\$230,000**

03-04 Broker Recommendation
Statutory Limits xs \$400,000 Retention
Incl. Annual Agg. Deductible of \$200,000
Annual Premium: **\$662,201**

- Terrorism Coverage is INCLUDED

ATTACHMENT A

Excess Property

02-03 Program

This is a layered program up to the Total Insurable Values of \$246,000,000.

- Crum & Forster will provide: \$4 Million xs \$1 Million: \$207,319 Annual Premium
 - Essex will provide: \$5 Million xs \$5 Million: \$ 80,000 Annual Premium
 - Royal will provide: \$100 Million xs \$10 Million: \$150,000 Annual Premium
- Renewal Premium: **\$437,319**

03-04 Broker Recommendation:

- Crum & Forster will provide: \$9 Million xs \$1 Million: \$346,346 Annual Premium
 - Royal will provide: \$100 Million xs \$10 Million: \$150,000 Annual Premium
- Renewal Premium: **\$496,000**
- TRIA can be purchased on Crum & Forster for additional premium of \$27,680.00
 - TRIA can be purchased on Royal for additional premium of \$7,500.00
 - Mold Excluded
 - Flood and Earthquake Included follow form primary

Excess Liability

02-03 Program

- United National will provide a \$4 Million Limit xs \$1 Million Primary
Annual Premium: **\$130,000**

03-04 Broker Recommendation:

- United National will provide a \$4 Million Limit xs \$1 Million Primary
Annual Premium: **\$158,000**
- TRIA is included.
- Mold Excluded
- Follow Form Primary

Boiler and Machinery

02-03 Program

- Boiler and Machinery includes per expiring:
Annual Premium: **\$18,000**

03-04 Broker Recommendation:

- Boiler and Machinery includes per expiring:
Annual Premium: **\$20,966**

ATTACHMENT A

E-Com

02 -03 Program

- E-com includes per expiring:
Annual Premium: **\$14,454**

03-04 Broker Recommendation:

- E-Com includes per expiring:
Annual Premium: **\$16,622**