

Executive Summary

Board of Governors Meeting, December 16, 2020

Commercial Business Insurance

Citizens is requesting approval to contract for the following six commercial business coverages for a one-year policy term: Auto; General Liability; Property; Workers Compensation/Employer Liability; Umbrella (for GL; Auto; Employer Liability); and Financial Institution Bond/Crime. The proposed coverage is through Liberty Mutual, with the exception of Financial Institution Bond/Crime through Crum and Forster. The coverage term is from January 1, 2021 through December 31, 2021.

History

This Action Item requests approval to contract for the six commercial business coverages identified above. Citizens has purchased these six coverages for many years in order to protect against common business risks. Citizens generally purchases these coverages together as a package to obtain best pricing, and that is the case this year. Financial Institution Bond/Crime is with the same carrier as 2018 and 2019. The other coverages are with Liberty Mutual, which is a change in carrier from Zurich.

Auto insurance covers owned, rented and borrowed (employee owned) vehicles used in the course of business. This policy covers approximately 49 vehicles owned by Citizens with coverage extending to rental cars and personally owned vehicles used in the course of business.

Workers Compensation insurance provides wage replacement and medical benefits protection for employees that are injured in the course of employment. This coverage is required by Florida law.

Financial Institution Bond/Crime provides protection against losses associated with fraud, extortion, forgery, or employee dishonesty. This also includes coverage for losses resulting from destruction of data by hackers.

General Liability and Property are purchased to cover liability exposure for Citizens' locations, and to meet the requirements for Citizens' building leases (Tallahassee and Jacksonville). These coverages are also purchased to cover liability for equipment and to meet liability insurance requirements in order to park Mobile Emergency Response Vehicles (MERVs) at catastrophe sites.

Umbrella coverage provides an additional \$8 million in coverage in excess of the Auto, General Liability, and Employer Liability coverages. The underlying coverage limits are \$1 million for Auto, \$1 million per occurrence and \$2 million in the aggregate for General Liability, and \$1 million for Employer Liability.

The total price for these coverages is \$312,908.00 for the one-year term. This pricing is split across the coverages as follows: Auto (\$94,266.00); General Liability (\$12,735.00); Property (\$32,219.00); Workers Compensation/Employer Liability (\$134,870.00); Umbrella (\$20,899.00); and Financial Institution Bond/Crime (\$17,919.00). This is a decrease of approximately fifteen

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(15) percent as compared to last year, with significant decreases in cost for every coverage but Umbrella. The cost of Umbrella coverage increased by two percent. This Action Item also requests approval for \$20,000 in contingency spend for unanticipated premium changes resulting from an insurer audit primarily related to workers' compensation.

These coverages will be purchased through Arthur J. Gallagher and Co., who will serve as agent of record for the policies. Citizens conducted a competitive solicitation for the coverages through Invitation to Bid No. 20-0039 for Commercial Business Insurance. Brokers were invited to submit bids for one or more of the six coverages. Three brokers submitted bids. Arthur J. Gallagher was awarded all six coverages due to best pricing. Arthur J. Gallagher was the only broker to submit a bid that met the minimum coverage requirements for Property, Workers Compensation, and Financial Institution Bond/Crime. For those three coverages, Citizens determined that negotiating on best terms and conditions with Arthur J Gallagher was in the best interest of Citizens and the state, pursuant to s. 287.057(5), F.S. Citizens posted Notice of Intent to Award to Arthur J. Gallagher on November 18, 2020.

Recommendation

Staff proposes that the Board of Governors:

- a) Authorize the purchase of Commercial Business Insurance for Auto; General Liability; Property; Workers Compensation/ Employer Liability; Umbrella (GL; Auto; Employer Liability); and Financial Institution Bond/Crime coverage for a one-year term beginning on January 1, 2021 and ending on December 31, 2021, with Liberty Mutual and Crum & Forster for a total annual premium of \$312,908.00, as set forth in this Action Item;
- b) Authorize \$20,000 in contingency spend for unanticipated premium changes resulting from an insurer audit primarily related to workers' compensation; and
- c) Authorize staff to take any appropriate or necessary action consistent with this Action Item.

ACTION ITEM

<input checked="" type="checkbox"/> Contract – New <input type="checkbox"/> Contract – Amendment of Contract Terms <input type="checkbox"/> Contract – Additional Spend	<input type="checkbox"/> Committee or Board Minutes <input type="checkbox"/> Product Changes <input type="checkbox"/> Other _____																																
Contract ID	Commercial Business Insurance LIBERTY MUTUAL CRUM & FORSTER																																
Budgeted Item	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No																																
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ACTION ITEM

Contract Term(s)	The term for these policies is January 1, 2021 to December 31, 2021.
Purpose/Scope	<p>This Action Item requests approval to contract for the following six commercial business coverages for a one-year policy term: Auto; General Liability; Property; Workers Compensation/Employer Liability; Umbrella (for GL; Auto; Employer Liability); and Financial Institution Bond/Crime.</p> <p>Auto insurance covers owned, rented and borrowed (employee owned) vehicles used in the course of business. This policy covers approximately 49 vehicles owned by Citizens with coverage extending to rental cars and personally owned vehicles used in the course of business.</p> <p>Workers Compensation insurance provides wage replacement and medical benefits protection for employees that are injured in the course of employment. This coverage is required by Florida law.</p> <p>Financial Institution Bond/Crime provides protection against losses associated with fraud, extortion, forgery, or employee dishonesty. This also includes coverage for losses resulting from destruction of data by hackers.</p> <p>General Liability and Property are purchased to cover liability exposure for Citizens' locations, and to meet the requirements on two of Citizens' building leases (Tallahassee and Jacksonville). These coverages are also purchased to cover liability for equipment and to meet liability insurance requirements in order to park our Mobile Emergency Response Vehicles (MERVs) at catastrophe sites.</p> <p>Umbrella coverage provides an additional \$8 million in coverage in excess of the Auto, General Liability, and Employer Liability coverages. The underlying coverage limits are \$1 million for Auto, \$1 million per occurrence and \$2 million in the aggregate for General Liability, and \$1 million for Employer Liability.</p> <p>This Action Item also requests approval for \$20,000 in contingency spend for unanticipated premium changes resulting from an insurer audit primarily related to workers' compensation.</p>
Recommendation	<p>Staff proposes that the Board of Governors:</p> <ul style="list-style-type: none">a) Authorize the purchase of Commercial Business Insurance for Auto; General Liability; Property; Workers Compensation/Employer Liability; Umbrella (GL; Auto; Employer Liability); and Financial Institution Bond/Crime coverage for a one-year term beginning on January 1, 2021 and ending on December 31, 2021, with Liberty Mutual and Crum & Forster for a total annual premium of \$312,908.00, as set forth in this Action Item;b) Authorize \$20,000 in contingency spend for unanticipated premium changes resulting from an insurer audit primarily related to workers' compensation.c) Authorize staff to take any appropriate or necessary action consistent with this Action Item.
CONTACTS	Dan Sumner, General Counsel and Chief Legal Officer