

ACTION ITEM SUMMARY

Board of Governors Meeting

June 22, 2016

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CONTRACT ID	DIRECTORS AND OFFICERS LIABILITY INSURANCE		
BUDGETED ITEM:	Directors and Officers Liability Insurance is budgeted for 2016 and it is anticipated that this coverage will be budgeted in the future.		
CONTRACT AMOUNTS	Policy Directors & Officers Liability	Insurance Carrier Starr Insurance Company	Premium \$156,400
PURPOSE / SCOPE	<p>Purpose: To purchase \$10 million in Directors & Officers Liability insurance coverage with a \$225,000 deductible for the 2016/2017 policy term.</p> <p>Scope: Directors & Officers Liability Insurance is liability insurance payable to the directors and officers of a company, or to the organization itself, to cover damages or defense costs in the event they suffer such losses as a result of a lawsuit for alleged wrongful acts while acting in their capacity as directors and officers for the organization. The principal protections against liability for Citizens and its Board members, officers, and employees are statutory immunity and indemnification afforded under Citizens' Plan of Operation. Directors & Officer Liability Insurance reimburses losses and defense costs for covered claims when individuals are not indemnified.</p>		
CONTRACT TERM(S)	<p>The term for the policy is August 16, 2016 to August 16, 2017, to be purchased with the Starr Insurance Company.</p> <p>Insuring Company: Starr Insurance Company</p> <p>Financial Strength: A (Excellent) A. M. Best Rating</p> <p>Financial Size: XIV</p> <p>Citizens' agents of record solicited quotes from 26 carriers. The Starr Insurance Company (an admitted carrier) policy is recommended as the D&O carrier for the 2016/2017 policy term due to its most favorable terms concerning breadth of coverage, stability of carrier, and pricing.</p>		
PROCUREMENT METHOD	<p>On August 10, 2011, Citizens issued Request for Proposal (RFP) No. 11-0036 for Business Insurance Agent(s) of Record. On October 12, 2011, the Board of Governors approved Rogers Gunter Vaughn Insurance, Inc. and Insurance Office of America, who received the highest overall scores of all vendors responding to Competitive Solicitation (RFP) No. 11-0036.</p> <p>The Agents of Record solicit and collect quotes and respective coverages from numerous carriers and submit to management for evaluation. The quotes are compared and analyzed for breadth of coverage, stability of underlying carrier, quality of service, and pricing. Recommendations are submitted by the General Counsel for selection.</p>		

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RECOMMENDATION	It is recommended that Citizens' Board: <ul style="list-style-type: none">(a) Approve the purchase (renewal policy) of the 2016 Directors & Officers Liability Insurance policy with Starr Insurance Company; and(b) Authorize staff to take any appropriate or necessary action consistent with this Action Item.
CONTACT	Dan Sumner, General Counsel & Chief Legal Officer

<u>2015/2016 Premium</u>	<u>2016/2017 Premium</u>	<u>% Decrease</u>
\$184,000	\$156,400	- 15.0