

# Executive Summary

Board of Governors Meeting, December 15, 2021

## Commercial Business Insurance

### Topic

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 CNA Insurance Companies ("CNA"), with the exception of Financial Institution Bond/Crime through Crum and Forster. The coverage term is January 1, 2022 through December 31, 2022.

### 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 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 Crum and Forster, which is the same carrier as 2018-2020. The other coverages have changed to CNA from Liberty Mutual.

Auto insurance covers owned, rented, and borrowed (employee owned) vehicles used in the course of business. This policy covers approximately 44 vehicles owned by Citizens with coverage extending to rental cars and personally owned vehicles used in the course of business. The proposed coverage includes \$1 million combined single limit for bodily injury and property damage.

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. Employers' Liability covers other potential losses for work related bodily injury or disease not covered by Workers Compensation law, such as legal fees for a lawsuit filed by a family member of an injured worker. The proposed Employers' Liability coverage includes a \$1 million aggregate limit.

Financial Institution Bond/Crime insurance provides protection against losses associated with fraud, extortion, forgery, or employee dishonesty. The proposed coverage includes a \$5 million general aggregate limit. Sublimits apply to certain coverages, such as a \$100,000 sublimit for extortion and a \$500,000 sublimit for destruction of data by hackers. The policy is commonly referred to as a "bond" or "fidelity bond" but it is an insurance product. The policy complements the coverages provided in Citizens' Cyber Liability policy. The cyber policy is focused on coverage for third-party lawsuits and other damages arising from a data breach, as opposed to traditional crime-related losses arising from fraud or employee dishonesty. While the Cyber Liability policy provides some coverage for fraudulent funds transfers and instructions, it provides much lower coverage limits and excludes employee acts.

General Liability and Property insurance 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 to park our emergency vehicles at catastrophe sites. The proposed General Liability coverage includes a general limit of \$1 million per occurrence and \$2 million in the aggregate. The Property coverage is for \$25,833,528 in total insurable value with replacement cost for personal property.

Umbrella coverage provides an additional \$8 million in coverage in excess of the Auto, General Liability, and Employer Liability coverages.

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Quotes for these coverages were obtained by our contracted Business Insurance Agent of Record, Arthur J. Gallagher. Gallagher is responsible for soliciting quotes from the market and presenting them to Citizens with a comparative analysis and recommendations.

Gallagher obtained formal quotes from Liberty Mutual, CNA, and Chubb for package coverage including auto, property, general liability, workers compensation and umbrella. Two additional carriers (Nationwide and Zurich) declined to quote due to pricing that was not competitive. Two other carriers (Zenith and AmTrust) provided formal quotes for workers compensation only. Several additional carriers were considered but not formally quoted based on Gallagher's assessment of the market and historical quote declinations. CNA was determined to provide the best value due to best pricing (\$262,219.48) and most favorable coverage terms. Chubb provided slightly higher pricing at \$263,327, with Liberty Mutual next at \$270,239.

Gallagher obtained a formal quote of \$18,803 from Crum & Forster for Financial Institution Bond/Crime. Gallagher also sought quotes from two other carriers, XL and AIG. Both confirmed that their pricing would not beat their pricing from last year and would therefore be higher than Crum & Forster's pricing. Crum & Forster was determined to provide the best value due to best pricing and comparable coverage terms.

The total price for these coverages is \$281,022.00 for the one-year term. This pricing is split across the coverages as follows: Auto (\$87,637.00); General Liability (\$13,002.00); Property (\$27,095.00); Workers Compensation/Employer Liability (\$115,165.00); Umbrella (\$19,320.00); and Financial Institution Bond/Crime (\$18,803.00). Gallagher's commissions for these policies are 20 percent for Property, General Liability, Auto, and Umbrella, 12 percent for Workers Compensation, and 17.5 percent for Financial Institution Bond/Crime.

The proposed policies provide an overall premium decrease of approximately 10 percent as compared to last year, with significant premium decreases for every coverage but General Liability and Financial Institution Bond/Crime. Those two coverages increased by approximately 2.4 percent and 4.9 percent respectively. Two factors contributing towards the overall premium reduction are an 8.33 percent reduction in autos and a 20.5 percent reduction in Citizens' workers compensation experience modification. On the other hand, property insurable value and payroll exposure increased by approximately 31.6 and 3.2 percent respectively. Regarding the market more generally, Gallagher reported renewal increases upwards of 20 percent for many companies, with median market rate increases of approximately 9 percent for auto, 3.5 percent for general liability, 15.5 percent for umbrella, 0 percent for workers compensation, and 13.7 percent for property.

## Recommendation

Staff recommends that the Board of Governors:

- a) Authorize the purchase of Auto; General Liability; Property; Workers Compensation/ Employer Liability; Umbrella (GL; Auto; Employer Liability); and Financial Institution Bond/Crime Commercial Business Coverage for a one-year term beginning on January 1, 2022, and ending on December 31, 2022, with CNA and Crum & Forster for a total annual premium of \$281,022.48, as set forth in this Action Item; and
- b) Authorize staff to take any appropriate or necessary action consistent with this Action Item.

## Commercial Business Insurance Action Item

 **ACTION ITEM**
 **New Contract**
 **Contract Amendment**
 **Other** \_\_\_\_\_

 **CONSENT ITEM**
 **Contract Amendment**
 **Existing Contract Extension**
 **Existing Contract Additional Spend**
 **Previous Board Approval** \_\_\_\_\_

 **Other** \_\_\_\_\_

**Action Items:** Items requiring detailed explanation to the Board. When a requested action item is a day-to-day operational item or unanimously passed through committee it may be moved forward to the board on the Consent Index.

**Move forward as Consent:** This Action item is a day-to-day operational item, unanimously passed through committee or qualifies to be moved forward on the Consent Index.

**Consent Items:** Items not requiring detailed explanation to the Board of Governors. Consent items are contract extensions, amendments or additional spending authorities for items previously approved by the Board.

<b>Item Description</b>	<b>Commercial Business Insurance</b>
<b>Purpose/Scope</b>	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.  The coverage term is January 1, 2022, through December 31, 2022.
<b>Contract ID</b>	<b>Commercial Business Insurance</b> <b>CNA Insurance Companies ("CNA")</b> <b>Crum &amp; Forster</b> <b>Arthur J. Gallagher – Business Insurance Agent of Record</b> <b>Contract No. 21-21-0008-00</b>
<b>Budgeted Item</b>	<input checked="" type="checkbox"/> <b>Yes</b>  <input type="checkbox"/> <b>No</b>

## Commercial Business Insurance Action Item

<b>Procurement Method</b>	Quotes for these coverages were obtained by our contracted Business Insurance Agent of Record, Arthur J. Gallagher. Gallagher is responsible for soliciting quotes from the market and presenting them to Citizens with a comparative analysis and recommendations. This contract with Gallagher was procured in 2021 pursuant to Request for Proposal No. 21-0008 for Business Insurance Agent of Record. The Board approved the contract on July 14, 2021. It includes a three (3) year base term and a two (2) year renewal term.																																				
<b>Contract Amount</b>	<table border="0"> <thead> <tr> <th>Policy:</th> <th>Insurance Carrier:</th> <th>Premium</th> <th>Change %:</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td>:</td> <td></td> </tr> <tr> <td>Property</td> <td>CNA</td> <td>\$27,095</td> <td>-15.9%</td> </tr> <tr> <td>General Liability</td> <td>CNA</td> <td>\$13,002</td> <td>+2.4%</td> </tr> <tr> <td>Auto</td> <td>CNA</td> <td>\$87,637</td> <td>-7%</td> </tr> <tr> <td>Umbrella</td> <td>CNA</td> <td>\$19,320</td> <td>-7.9%</td> </tr> <tr> <td>Workers Compensation/ Employer Liability</td> <td>CNA</td> <td>\$115,165</td> <td>-14.1%</td> </tr> <tr> <td>Financial Institution Bond/Crime</td> <td>Crum &amp; Forster</td> <td>\$18,803</td> <td>+4.9%</td> </tr> <tr> <td><b>Total Cost</b></td> <td></td> <td><b>\$281,022</b></td> <td><b>-9.95%</b></td> </tr> </tbody> </table>	Policy:	Insurance Carrier:	Premium	Change %:			:		Property	CNA	\$27,095	-15.9%	General Liability	CNA	\$13,002	+2.4%	Auto	CNA	\$87,637	-7%	Umbrella	CNA	\$19,320	-7.9%	Workers Compensation/ Employer Liability	CNA	\$115,165	-14.1%	Financial Institution Bond/Crime	Crum & Forster	\$18,803	+4.9%	<b>Total Cost</b>		<b>\$281,022</b>	<b>-9.95%</b>
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<b>Contract Terms</b>	<p>The term for these policies is January 1, 2022 to December 31, 2022.</p> <p>Insuring Company: CNA (through its wholly-owned companies: Continental Insurance Company; National Fire Insurance of Hartford; American Casualty Company of Reading, PA)</p> <p>Financial Strength: A (Excellent) A.M. Best Rating</p> <p>Financial Size: XV</p> <p>Insuring Company: Crum &amp; Forster (United States Fire Insurance Company)</p> <p>Financial Strength: A (Excellent) A.M. Best Rating</p> <p>Financial Size: XIV</p>																																				
<b>Board Recommendation</b>	<p>Staff recommends that the Board of Governors:</p> <p>a) Authorize the Commercial Business Insurance purchase of Property; General Liability; Auto; Umbrella (GL; Auto; Employer Liability); Workers Compensation/Employer Liability; and Financial Institution Bond/Crime coverage for a one-year term beginning on January 1, 2022 and ending on December 31, 2022, with CNA and Crum &amp; Forster for a total</p>																																				

**Commercial Business Insurance  
Action Item**

	<p>annual premium of \$281,022.48, as set forth in this Action Item; and</p> <p>b) Authorize staff to take any appropriate or necessary action consistent with this Action Item.</p>
<b>Contacts</b>	<b>Tim Cerio, General Counsel and Chief Legal Officer</b>