

Executive Summary

Board of Governors Meeting, September 21, 2022

Cyber Liability Insurance

Topic

Citizens is requesting approval to contract for Cyber Liability Insurance for a one-year policy term. The primary policy is through the Beazley Group. Additional coverage is provided through an excess policy from Berkley Assurance Company.

History

Citizens has purchased Cyber Liability Insurance from Beazley since Citizens began purchasing this coverage in 2015. Citizens is requesting approval to continue this coverage for an additional year at the policy limits and retention thresholds specified in Exhibit A. The policy limits and retention thresholds are provided separately in Exhibit A consistent with confidentiality protections provided under Section 119.0725, Florida Statutes.

Confidential per s. 119.0725 and 627.352, Florida Statutes

Approval is also requested for excess coverage through Berkley Assurance Company. This coverage is triggered when the policy limit is exceeded under the Beazley policy. It is recommended given the increased cyber security risks presented to governmental entities and private companies in recent years, and given the increase in Citizens' policy count. This is the first time that Citizens has purchased coverage from Berkley.

Quotes for coverage 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. Citizens' evaluation team recommended Gallagher for award on June 08, 2021. The Board approved the contract on July 14, 2021. It includes a three (3) year base term and a two (2) year renewal term.

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The cyber insurance market has continued to harden since Citizens' prior renewal in 2021. [REDACTED]

[REDACTED] Insurers are reexamining their underwriting practices and rates. In many cases they are declining to quote or are requiring both reduced limits and increased premiums.

Gallagher targeted four carriers for renewal quotation this year. These companies were identified as the most competitive based on market knowledge and prior expansive marketing efforts. One carrier indicated that premium would need to exceed \$500,000, and another declined to quote based on Citizens' size. Citizens is still awaiting a formal quote from the fourth. This additional quote is not expected to be competitive with the Beazley offer, but this Action Item will be updated if the quote impacts the recommendation.

The renewal premium for the primary policy with Beazley is twenty-six percent (26%) more than the premium for last year. This is more favorable than the market average of fifty-four percent (54%) for Q4, as reported by Gallagher. [REDACTED]

Recommendation

Staff recommends that the Board of Governors:

- a) Authorize the purchase of Cyber Liability Insurance for a one-year term beginning on October 1, 2022 and ending on September 30, 2023, with primary coverage through the Beazley Group and excess coverage with Berkley Assurance Company, for a total annual premium of \$419,154, as set forth in this Action Item; and
- b) Authorize staff to take any appropriate or necessary action consistent with this 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.

Item Description	Cyber Liability Insurance
Purpose/Scope	Citizens is requesting approval to purchase Cyber Liability Insurance for a one-year term beginning on October 1, 2022 and ending on September 30, 2023. The primary policy is through the Beazley Group. Additional coverage is provided through an excess policy with Berkley Assurance Company. The policy limits and retention thresholds are specified in Exhibit A consistent with confidentiality protections provided under Section 119.0725, Florida Statutes.
Contract ID	Cyber Liability Insurance The Beazley Group Berkley Assurance Company Arthur J. Gallagher – Business Insurance Agent of Record Contract No. 21-21-0008-00
Budgeted Item	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No This purchase is partially funded in the 2022 budget. The remainder will be included in the 2023 budget submitted for approval in December 2022.
Procurement Method	Quotes for this coverage 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.

Contract Amount	<table border="1"> <thead> <tr> <th><u>Policy:</u></th> <th><u>Insurance Carrier:</u></th> <th><u>Premium:</u></th> <th><u>Increase %:</u></th> </tr> </thead> <tbody> <tr> <td>Cyber Liability Insurance</td> <td>The Beazley Group</td> <td>\$298,330</td> <td>26%</td> </tr> <tr> <td>Excess Cyber Liability</td> <td>Berkley Assurance Company</td> <td>\$120,824</td> <td>N/A</td> </tr> </tbody> </table>	<u>Policy:</u>	<u>Insurance Carrier:</u>	<u>Premium:</u>	<u>Increase %:</u>	Cyber Liability Insurance	The Beazley Group	\$298,330	26%	Excess Cyber Liability	Berkley Assurance Company	\$120,824	N/A
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Cyber Liability Insurance	The Beazley Group	\$298,330	26%										
Excess Cyber Liability	Berkley Assurance Company	\$120,824	N/A										
Contract Terms	<p>The term for both policies is October 1, 2022, to September 30, 2023.</p> <p>Insuring Company: Beazley Group (Non-Admitted)</p> <p>Financial Strength: A (Excellent) A.M. Best Rating</p> <p>Excess Company: Berkley Assurance Company (Non-Admitted)</p> <p>Financial Strength: A+ (Superior) A.M. Best Rating</p>												
Board Recommendation from Committee	<p>Staff recommends that the Board of Governors:</p> <ul style="list-style-type: none"> a) Authorize the purchase of Cyber Liability Insurance for a one-year term beginning on October 1, 2022, and ending on September 30, 2023, with primary coverage through the Beazley Group and excess coverage with Berkley Assurance Company, for a total annual premium of \$419,154, as set forth in this Action Item; and a) Authorize staff to take any appropriate or necessary action consistent with this Action Item. 												
Contacts	Tim Cerio, General Counsel and Chief Legal Officer												