

Executive Summary

Board of Governors Meeting, December 6, 2023

Commercial Business Insurance

Topic

This Action Item requests approval to contract with CNA for the following five commercial business coverages for a one-year policy term: Auto; General Liability; Property; Workers Compensation/Employer Liability; and Umbrella (for GL; Auto; Employer Liability). The coverage term is January 1, 2024 through December 31, 2024.

Approval is also requested for \$5,000 in contingency spend for increases in premium due to changes during the policy period, such as the purchase of a new vehicle or increased Citizens payroll.

History

This Action Item requests approval to contract for the five commercial business coverages identified above. Citizens has purchased these five 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. This is the third year purchasing these coverages from CNA.

Auto insurance provides coverage for 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.

General Liability and Property insurance covers liability exposure for Citizens' office locations. Coverage is required under Citizens' building leases (Tallahassee and Jacksonville). 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 \$27,032,644 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 received a formal quote from CNA for package coverage including auto, property, general liability, workers compensation and umbrella. Gallagher is still awaiting a formal quote from Chubb. The quote from Chubb is not expected to be as competitive as the recommended CNA quote, but this Action Item will be updated if the quote impacts the recommendation. Four carriers declined to quote due to an inability to compete with CNA's pricing. Four others declined to quote citing reasons such as lack of interest in quoting an insurance company.

The proposed coverage with CNA provides for a continuation of favorable coverage terms. This includes particularly favorable property deductibles, as well as a 30 percent premium dividend for the workers compensation policy. This dividend is payable after expiration of the policy and is estimated to exceed \$40,000. The dividend is payable to Citizens regardless of loss experience under the policy.

The proposed coverage includes an overall premium increase of 17.6 percent as compared to last year. Workers compensation premium is increasing 29 percent, primarily due to increases in both payroll and Citizens' modification factor. Citizens' modification factor remains low at .75, but it was .63 for last year's renewal. Property, auto, and umbrella are increasing 9.6, 10.3, and 9.1 percent respectively, largely due to an increase in insured value of 10 percent for property and 5 percent for auto. General liability premium is increasing 1.3 percent.

The total price for these coverages is \$325,208.00 for the one-year term. This pricing is split across the coverages as follows: Auto (\$102,847.00); General Liability (\$12,588.00); Property (\$33,203.00); Workers Compensation/Employer Liability (\$152,714.00); and Umbrella (\$23,856.00). Gallagher's commissions for these policies are 20 percent for Property, General Liability, Auto, and Umbrella, and 12 percent for Workers Compensation. The commissions are paid from the premium.

Approval is also requested for \$5,000 in contingency spend for increases in premium due to changes during the policy period, such as the purchase of a new vehicle or increased Citizens payroll. This additional premium, if needed, will be recouped under a 30 percent workers compensation premium dividend payable after expiration of the policy.

Recommendation

The recommendation is stated in the attached Action Item.

Commercial Business Insurance

 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.

<p>Purpose/Scope</p>	<p>This Action Item requests approval to contract with CNA for the following five commercial business coverages for a one-year policy term: Auto; General Liability; Property; Workers Compensation/Employer Liability; and Umbrella (for GL; Auto; Employer Liability).The coverage term is January 1, 2024 through December 31, 2024.</p> <p>Approval is also requested for \$5,000 in contingency spend for increases in premium due to changes during the policy period, such as the purchase of a new vehicle or increased Citizens' payroll. This additional premium, if needed, will be recouped under a 30 percent workers compensation premium dividend payable after expiration of the policy.</p>
<p>Contract ID</p>	<p>Commercial Business Insurance CNA Insurance Companies ("CNA") Arthur J. Gallagher – Business Insurance Agent of Record Contract No. 21-21-0008-00</p>
<p>Budgeted Item</p>	<p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p>

Commercial Business Insurance

Procurement Method	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-year base term and a two-year renewal term.																												
Contract Amount	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><u>Policy:</u></th> <th style="text-align: left;"><u>Insurance Carrier:</u></th> <th style="text-align: left;"><u>Premium:</u></th> <th style="text-align: left;"><u>Change %:</u></th> </tr> </thead> <tbody> <tr> <td>Property</td> <td>CNA</td> <td>\$33,203</td> <td>+9.56%</td> </tr> <tr> <td>General Liability</td> <td>CNA</td> <td>\$12,588</td> <td>+1.26%</td> </tr> <tr> <td>Auto</td> <td>CNA</td> <td>\$102,847</td> <td>+10.26%</td> </tr> <tr> <td>Umbrella</td> <td>CNA</td> <td>\$23,856</td> <td>+9.08%</td> </tr> <tr> <td>Workers Compensation/ Employer Liability</td> <td>CNA</td> <td>\$152,714</td> <td>+28.73%</td> </tr> <tr> <td><u>Total Cost</u></td> <td></td> <td>\$325,208</td> <td>+17.61%</td> </tr> </tbody> </table>	<u>Policy:</u>	<u>Insurance Carrier:</u>	<u>Premium:</u>	<u>Change %:</u>	Property	CNA	\$33,203	+9.56%	General Liability	CNA	\$12,588	+1.26%	Auto	CNA	\$102,847	+10.26%	Umbrella	CNA	\$23,856	+9.08%	Workers Compensation/ Employer Liability	CNA	\$152,714	+28.73%	<u>Total Cost</u>		\$325,208	+17.61%
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Contract Terms	<p>The term for these policies is January 1, 2024 to December 31, 2024.</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>																												
Board Recommendation	<p>Staff recommends that the Board of Governors:</p> <ol style="list-style-type: none"> a) Authorize the purchase of Commercial Business Insurance with CNA to include Auto; General Liability; Property; Workers Compensation/ Employer Liability; and Umbrella (GL; Auto; Employer Liability) coverage for a one-year term beginning on January 1, 2024 and ending on December 31, 2024, for a total annual premium of \$325,208.00, as set forth in this Action Item; b) Authorize up to \$5,000 in contingency spend for increases in premium due to changes during the policy period; and c) Authorize staff to take any appropriate or necessary action consistent with this Action Item. 																												
Contacts	Ken Tinkham, Acting General Counsel																												