

Executive Summary

Audit Committee Meeting, September 24, 2025
Board of Governors Meeting, September 24, 2025

Directors and Officers Liability Insurance

Topic

Citizens is requesting approval to contract for Directors and Officers Liability Insurance for a one-year policy term for an estimated premium of \$265,585. The proposed coverage is through one primary policy and two excess policies for a total aggregate limit of \$20 million. Primary coverage is through Berkshire Hathaway Specialty Insurance Company (Berkshire) for \$10 million in coverage. Excess coverage is through Westfield Specialty Insurance Company (Westfield) and Twin City Fire Insurance Company (Hartford) for an additional \$5 million of coverage each.

History

Citizens has purchased Directors and Officers Liability Insurance on an annual basis for many years. This coverage provides liability insurance payable to the directors and officers of a company, or to the organization itself, to cover damages or defense costs incurred from a lawsuit or alleged wrongful acts while acting in the capacity of a director or officer for the organization. Directors and Officers Liability Insurance is supplemental to the principal protections against liability for Citizens and its Board members, officers, and employees. The principal protections are statutory immunity and indemnification afforded under Citizens' Plan of Operation. Directors and Officers Liability Insurance reimburses losses and defense costs for covered losses to Citizens, or to covered individuals when such individuals are not indemnified.

These policies include a total of \$20 million in coverage. Primary coverage is provided through Berkshire with a \$10 million aggregate limit. This primary policy includes a \$250,000 retention for a claim against Citizens or a covered individual who is indemnified by Citizens. It includes a \$0 retention for a covered individual who is not indemnified by Citizens. The policy also includes a \$3 million sublimit and a \$25,000 retention for fiduciary liability claims, such as an alleged breach of responsibilities relating to an employee benefit plan. This is the second year that Citizens will purchase primary coverage through Berkshire.

An additional \$10 million in coverage is provided through the two proposed excess policies. The first \$5 million in additional coverage is through Westfield. The second \$5 million of coverage is through Hartford. Citizens has not previously purchased coverage from West. Citizens has purchased an excess layer through Hartford for several years.

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. Citizens procured the contract with Gallagher 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.

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Gallagher approached 13 companies for quotes this year. Many declined to quote, citing reasons such as the nature of Citizens' business. Berkshire is recommended over Westfield for primary coverage due to best pricing and coverage terms. Berkshire offers a premium decrease of approximately 2.5 percent compared to last year. Westfield is recommended over Hartford for the first \$5 million in excess coverage due to the best pricing. They offer a premium decrease of approximately 4.1 percent compared to last year's premium with Argo. Hartford is recommended for the second \$5 million in excess coverage with no change in premium from last year.

The total estimated premium is \$265,585, consisting of \$173,685 for Berkshire, \$49,900 for Westfield, and \$42,000.00 for Hartford. The cost for this coverage decreased approximately 2.3 percent.

Recommendation

The recommendation is included in the Consent Item.

☐ **ACTION ITEM**

☐ **New Contract**

☐ **Contract Amendment**

☐ **Other** _____

☒ **CONSENT ITEM**

☒ **New Contract**

☐ **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	Directors and Officers Liability Insurance
Purpose/Scope	<p>Citizens is requesting approval to purchase Directors and Officers Liability Insurance for a one-year term beginning on October 1, 2025 and ending on September 30, 2026.</p> <p>The proposed policies include a total of \$20 million in coverage consistent with prior years. Primary coverage is provided through Berkshire Hathaway Specialty Insurance Company (Berkshire) with a \$10 million aggregate limit. The next \$5 million of coverage is through Westfield Specialty Insurance Company (Westfield). The remaining \$5 million of coverage is through Twin City Fire Insurance Company (Hartford). The Berkshire and Hartford policies are renewal policies. Westfield is a new carrier for Citizens. The total estimated premium decreased approximately 2.3 percent from last year.</p> <p>This coverage provides liability insurance payable to the directors and officers of a company, or to the organization itself, to cover damages or defense costs incurred from a lawsuit or alleged wrongful acts while acting in the capacity of a director or officer for the organization.</p>
Contract ID	<p>Directors and Officers Liability Insurance</p> <p>Berkshire Hathaway Specialty Insurance Company</p> <p>Westfield Specialty Insurance Company</p> <p>Twin City Fire Insurance Company (Hartford)</p> <p>Arthur J. Gallagher – Business Insurance Agent of Record</p> <p>Contract No. 21-21-0008-00</p>

Budgeted Item	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No																			
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. Citizens procured this contract with Gallagher 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><thead><tr><th><u>Policy</u></th><th><u>Insurance Carrier</u></th><th><u>Premium</u></th><th><u>Decrease %</u></th></tr></thead><tbody><tr><td>Directors & Officers (\$10 million primary coverage)</td><td>Berkshire</td><td>\$173,685</td><td>2.5 %</td></tr><tr><td>Directors & Officers (additional \$5 million over \$10 million for a total of \$15 million)</td><td>Westfield</td><td>\$49,900</td><td>4.1 %</td></tr><tr><td>Directors & Officers (additional \$5 million over \$15 million for a total of \$20 million)</td><td>Hartford</td><td>\$42,000.00</td><td>0 %</td></tr></tbody></table>	<u>Policy</u>	<u>Insurance Carrier</u>	<u>Premium</u>	<u>Decrease %</u>	Directors & Officers (\$10 million primary coverage)	Berkshire	\$173,685	2.5 %	Directors & Officers (additional \$5 million over \$10 million for a total of \$15 million)	Westfield	\$49,900	4.1 %	Directors & Officers (additional \$5 million over \$15 million for a total of \$20 million)	Hartford	\$42,000.00	0 %			
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Contract Terms	The term for all three policies is October 1, 2025 to September 30, 2026. Insuring Company: Berkshire Hathaway Specialty Insurance Company (Admitted) Financial Strength: A++ (Superior) A.M. Best Rating Excess Company: Westfield Specialty Insurance Company (Admitted) Financial Strength: A (Excellent) A.M. Best Rating Excess Company: Twin City Fire Insurance Company (Hartford) (Admitted) Financial Strength: A+ (Superior) A.M. Best Rating																			
Committee Recommendation	Staff recommends that the Audit Committee review, and if approved recommend the Board of Governors: a) Authorize the purchase of Directors and Officers Liability Insurance for a one-year term beginning October 1, 2025 and ending on September 30, 2026, as set forth in this Consent Item; and b) Authorize staff to take any appropriate or necessary action consistent with this Consent Item.																			

Board Recommendation from Committee	<p>If approved at its September 24, 2025 meeting, the Audit Committee recommends that the Board of Governors:</p> <ul style="list-style-type: none">c) Authorize the purchase of Directors and Officers Liability Insurance for a one-year term beginning October 1, 2025 and ending on September 30, 2026, as set forth in this Consent Item; andd) Authorize staff to take any appropriate or necessary action consistent with this Consent Item.
Contacts	Brian Newman, General Counsel