# WASHOE COUNTY

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## STAFF REPORT

**BOARD MEETING DATE: June 19, 2018**

**DATE:** Wednesday, June 13, 2018

**TO:** Board of County Commissioners

**FROM:** Doreen Ertell, Risk Management Division
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**THROUGH:** Cathy Hill, Comptroller

**SUBJECT:** Recommendation to authorize the Comptroller to renew the Excess Workers' Compensation Insurance Policy with New York Marine and General Insurance Company for one year at a premium of [$274,755] and the Property, Boiler & Machinery, Cyber Liability and Pollution Liability Insurance Policy with the Public Entity Property Insurance Program for one year at a premium not to exceed [$532,358], effective July 1, 2018 and authorize the Comptroller's Office to sign the applications and agreements necessary to bind coverage, funding from the Risk Management Fund source. (All Commission Districts).

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**SUMMARY**

Seeking Board authorization to renew the policies for Excess Workers' Compensation Insurance and Property Insurance. Both policies are written on an annual term with an effective date of July 1, 2018.

**Washoe County Strategic Objective supported by this item:** Stewardship of Our Community.

**PREVIOUS ACTION**

On June 27, 2017, the Board authorized the renewal of the above referenced policies for a one year term.

**BACKGROUND**

The County's broker is USI Insurance Services (USI). USI acquired Wells Fargo Insurance Services in December of 2017 and maintained the same experienced personnel and local office. USI is one of the largest insurance brokerage and consulting firms in the world. They monitor changes in the marketplace and when appropriate, solicit bids from qualified carriers.

**AGENDA ITEM # ______**

**<u>Excess Workers' Compensation Insurance</u>**. Washoe County has been self-insured for workers' compensation since July 1, 1981. Nevada law requires any self-insured employer for workers' compensation to maintain a policy of excess insurance to protect the employer from large or catastrophic losses.

The incumbent market, New York Marine, has offered to renew the County's Excess Workers' Compensation policy for a premium of [$274,755]. This is an increase 3.2% over last year's premium of $266,205. Rated payroll increased by 1% and the premium rate increased by 2%.

The renewal policy maintains a self-insured retention of $1.5 million per occurrence for all classes of employment except for a self-insured retention of $2.5 million per occurrence which applies to presumptive claims only. The lower $1.5 million retention will apply to all other non-presumptive occupational injuries

The coverage offered by New York Marine includes several important endorsements and extensions including aviation coverage, deletion of the late reporting penalty and a limited Communicable Disease Endorsement with a sub-limit of $50 million. Subject to policy terms, the Communicable Disease endorsement requires just one retention if more than one person contracts a communicable disease.

New York Marine still maintains an "Excellent" financial rating according to A.M. Best, but its rating was downgraded on October 6, 2017 from A to A-. "The carrier maintained its financial size category of IX which means" surplus for paying claims is between $250 million to $500 million. The outlook for the carrier's rating is currently "Stable" according to A.M. Best.

There are only a limited number of markets who will write Excess Workers' Compensation Insurance for public entities with presumptive benefits exposure. USI requested quotes from the other markets last year and received the most competitive quote from New York Marine. USI markets the coverage every two to three years to ensure the County receives the best terms and pricing available.

**<u>Property Insurance</u>.** This year, USI requested quotes from 15 insurance carriers, including the incumbent, Public Entity Property Insurance Program (PEPIP). Following are the results of their marketing efforts:

| Insurer | Response | Notes |
|---|---|---|
| Affiliated FM | Declined | Not Competitive |
| Allianz | Declined | Not Competitive,<br>No Earthquake Coverage |
| AIG | Declined | Part of PEPIP Program |
| AWAC | Declined | Not Competitive,<br>Could Quote Excess EQ |
| CNA | Declined | Not Competitive |
| Generali | Declined | Not Competitive |
| Ironshore | Declined | Part of PEPIP Program |
| Liberty Mutual | Declined | Not Competitive |
| PEPIP | Quoted/Estimate | Incumbent Program<br>**Est. $532,358** |
| SOMPO | Declined | **Est. $700,000** |
| Swiss Re | Declined | Not Competitive |
| The Hartford | Declined | Not Competitive |
| Travelers | Declined | Not Competitive, Pricing for EQ<br>is over half the target premium |
| XL Catlin | Declined | Not Competitive |
| Zurich American | Declined | Not Competitive |

PEPIP remains the County's most competitive option and has offered to renew the County's Property policy for an annual cost not to exceed [$532,358]. This is a maximum increase of 10.3% or $49,704 over last year's total cost of $482,654. The County's insured property values increased by 3.7%, mainly due to increased estimates for replacement costs. The renewal is based on a premium rate increase not to exceed 7%.

Quotes for flood insurance were reviewed last year; however, coverage was not purchased due to the high premium cost. Last year, the additional premium to provide a $20,000,000 per occurrence flood limit (subject to a $5,000,000 sub-limit for locations in high hazard flood zones) would have cost an additional $124,000. Flood coverage is provided in the renewal quote for flood damage to scheduled county vehicles.

PEPIP is part of the largest single property insurance placement in the world. Formed by Alliant Insurance Services in 1993, PEPIP has grown from 65 members in one state and $600 million in total insurable values (TIV) to more than 8,700 members in 45 states and more than $350 billion in TIV. The program's tremendous growth is a result of highly competitive terms, comprehensive coverage, and, most importantly, working closely with members to get claims paid in a timely manner.

PEPIP is divided into towers which include various other public entities. The County has been placed in a tower with twelve other members. The insureds in a given tower share a $1 billion each occurrence limit for the all-risk coverage (i.e. fire). However, the earthquake limit of $50 million is specifically purchased by and dedicated to Washoe County. The tower does not include any other northern Nevada entities.

The program provides a broad manuscript form which includes coverage for all-risk property, terrorism, boiler and machinery and physical damage to scheduled vehicles (both on and off-premise). In addition, the program includes limited pollution and cyber liability. All buildings over $5M in replacement value will be appraised once every five years at no cost to the county. Claims will be paid through Alliant Insurance Services Inc., located in San Francisco.

## FISCAL IMPACT

The total cost for the renewal of the aforementioned insurance policies is:

| | |
|---|---|
| Excess Workers' Compensation: | $274,755 |
| Property (premium not to exceed): | $532,358 |
| **Total** | **$807,113** |

Together, this is a maximum net increase of $58,253 or 7.8% from FY 17/18 premiums. Sufficient budget authority for the premium expenditures exists in the combined FY18/19 approved budgets of cost center 195054 (Workers' Compensation) general ledger account 710595; and cost center 195053 (Property and Liability) general ledger account 710595.

## RECOMMENDATION

It is recommended that the Board of County Commissioners authorize the Comptroller to renew the Excess Workers' Compensation Insurance Policy with New York Marine and General Insurance Company for one year at a premium of [$274,755] and the Property Insurance Policy with the Public Entity Property Insurance Program for one year at a premium not to exceed [$532,358], effective July 1, 2018, with funding from the Risk Management Fund.

## POSSIBLE MOTION

Should the Board agree with staff's recommendation, a possible motion would be:

I move to authorize the Comptroller to renew the Excess Workers' Compensation Insurance Policy with New York Marine and General Insurance Company for one year at a premium of [$274,755] and the Property Insurance Policy with the Public Entity Property Insurance Program for one year at a premium not to exceed [$532,358], effective July 1, 2018, with funding from the Risk Management Fund.