

RFP 11MISC13
PROPERTY AND CASUALTY INSURANCE
(RENEWAL)

FACT SHEET

A. **Overview:** This recommendation is to renew the contract for property and casualty insurance coverage for Frederick County Public Schools (FCPS).

1. **Other Facts:**

- Coverage will be extended and renewed on an annual basis, if approved by the Board of Education; the renewal would be effective July 1, 2014 through June 30, 2015.
- This insurance will provide protection for loss/damage to real and personal property, including business interruption; data processing; boiler and machinery; business automobile; commercial general liability; crime coverage; builder's risk; errors and omissions and others.
- Approximately \$1,194,938 was spent in FY14 on FCPS insurance coverage. The new estimated annual cost is \$1,257,012, a 5.2% increase.
- The premium increase over last year's contract amount can mostly be attributed to the following:
 1. An increase in Property premium of approximately \$54,380 (9.9%) due to rate and exposures increases. The rate increase brings the rates closer to typical and appropriate industry rates based on total market claims as well as FCPS specific claims and loss ratio. The exposure increase accounts for about 7% and the rate increase about 2.9%. For reference, Insurance Industry average rate increases are about 2% for 2014 – 2015 policy periods.
 2. An increase in Commercial General Liability Insurance premium of approximately \$10,008 due to rate and exposure (# of students) increases. The rate increase brings the rate closer to industry standard rates based on total market claims as well as FCPS specific claims and loss ratio.
 3. An increase in School Leaders Errors & Omissions premium of \$3,733. This premium increase is entirely due to market rate increases.
 4. Specific Sexual Misconduct & Molestation coverage was added this year at a cost of \$3,454.
- Our Broker, BB&T Frederick Underwriters, requested competitive proposals from numerous insurance carriers. Hanover, Travelers and Apex could not be competitive. Wright Specialty, Philadelphia, and United Educators declined to quote. FM Global quoted Property only, but competitive Liability coverage is not available. Therefore, this renewal is market competitive based on FCPS's claims history and current market response.
- The following additional/optional coverages were presented by BB&T for FCPS consideration:
 - a. Terrorism (Property & Liability) can be added for \$85,522.
 - b. Violent Event Response Coverage can be added for \$25,704.
 - c. Water & Sewer Backup limit can be increased from \$25,000 to \$100,000 for \$10,943 or to \$250,000 for \$14,590.
 - d. Newer buses can be covered at Replacement Cost for an additional \$24,675.
 - e. A Flood sublimit can be added for an additional \$23,148.
- The contract will be administered by Leslie Pellegrino, Executive Director of Fiscal Services.

2. **Source of Funding:** Contingent upon FY15 Operating Budget Board approval.

B. **Recommendation:** Staff recommends renewal of RFP 11MISC13, Property and Casualty Insurance to BB&T Frederick Underwriters (Frederick, MD) at a total of \$1,257,012.

C. **Action taken by the Board (Purchasing use only):**

| | | | | |
|---------------|-------------|---------------|------------|-------------------|
| _____Approved | _____Denied | _____Deferred | _____Other | SB/mg |
| _____Date | _____Date | _____Date | _____Date | BOE Mtg: 06.25.14 |

RFP 11MISC13 Property and Casualty Insurance
(Renewal)

| | OCG FY 2014 | | | | Liberty FY 2015 Quote | | | |
|---------------------------------------------------------|------------------------------|-----------------|--------------------|-----------------|------------------------|-----------------|--------------------|-----------------|
| | Limit/Exposure | Rate | Premium | Ded | Limit/Exposure | Premium | Ded | |
| Real & Business Personal Property | \$1,459,441,717 | \$0.0330 | \$481,616 | \$10,000 | \$1,576,246,597 | \$0.0350 | \$551,686 | \$10,000 |
| BPP of Others | \$90,000 | \$0.0330 | \$30 | | \$90,000 | | incl | |
| Earthquake | \$10,000,000 | | \$1,600 | \$10,000 | \$10,000,000 | | \$2,000 | \$50,000 |
| Flood | No Coverage | | | | No Coverage | | | |
| Business Income/Extra Expense | \$5,000,000 | \$0.0330 | \$1,650 | | \$5,000,000 | | incl | |
| Ultra Plus Endorsement | | | incl | | | | \$9,786 | |
| Data Compromise/Cyber | \$250,000 / \$250,000 | | \$1,185 | | | | \$1,185 | |
| Valuable Papers & Records | \$100,000 | \$0.021 | \$21 | | \$100,000 | | incl | |
| Accounts Receivable | \$100,000 | \$0.014 | \$14 | | \$100,000 | | incl | |
| Vacant Building Coverage | \$24,007,858 | | \$27,162 | \$1,000 | \$2,000,000 | | \$3,000 | \$10,000 |
| Boiler & Machinery | \$100,000,000 | | \$37,863 | \$10,000 | Full Limits | | \$37,863 | \$10,000 |
| Subtotal: Property Premium | | | \$551,140 | | | | \$605,520 | 9.9% |
| Inland Marine | | | | | | | | |
| Electronic Data Processing | \$30,000,000 | \$0.050 | \$15,000 | \$1,000 | \$30,000,000 | \$0.050 | \$15,000 | \$1,000 |
| Contractors Equipment | \$2,974,515 | \$0.300 | \$8,924 | \$1,000 | \$2,974,515 | \$0.300 | \$8,924 | \$1,000 |
| Leased/Rental Equipment | \$75,000 | | \$500 | \$1,000 | \$75,000 | | \$500 | \$1,000 |
| Audio Visual | \$2,834,439 | \$0.050 | \$1,417 | \$1,000 | \$2,834,439 | \$0.050 | \$1,417 | \$1,000 |
| Musical Instruments | \$2,088,635 | \$0.250 | \$5,222 | \$1,000 | \$2,088,635 | \$0.250 | \$5,222 | \$1,000 |
| Athletic Equipment | \$1,307,061 | \$0.100 | \$1,307 | \$1,000 | \$1,307,061 | \$0.100 | \$1,307 | \$1,000 |
| Towers, Radios | \$68,000 | \$0.600 | \$408 | \$1,000 | \$68,000 | \$0.600 | \$408 | \$1,000 |
| Electronic Equip other than EDP | \$1,683,602 | \$0.050 | \$842 | \$1,000 | \$1,683,602 | \$0.050 | \$842 | \$1,000 |
| Library Books | \$19,673,996 | \$0.050 | \$9,837 | \$1,000 | \$19,673,996 | \$0.050 | \$9,837 | \$1,000 |
| Valuable Papers other than Books | \$100,000 | \$0.050 | \$50 | \$1,000 | \$100,000 | \$0.050 | \$50 | \$1,000 |
| Fine Arts | \$500,000 | \$0.095 | \$475 | \$1,000 | \$500,000 | \$0.095 | \$475 | \$1,000 |
| Historic Papers | \$50,000 | \$0.095 | \$48 | \$1,000 | \$50,000 | \$0.095 | \$48 | \$1,000 |
| Employees' Tools | \$25,000 | \$1.500 | \$375 | \$1,000 | \$25,000 | \$1.500 | \$375 | \$1,000 |
| Transportation Floater | \$100,000 | | \$500 | \$1,000 | \$100,000 | | \$500 | \$1,000 |
| Builders Risk (Annl Rate per \$100 compl value) | \$30,000,000 | | \$5,000 | | \$30,000,000 | | \$5,000 | |
| MNC Rate | | \$0.070 | \$1,000 | | | \$0.070 | \$1,000 | |
| Subtotal: Inland Marine Premium | | | \$49,905 | | | | \$49,905 | 0.0% |
| Commercial General Liability (\$1,000,000 limit) | 40,487 | \$4.475 | \$181,179 | | 40,797 | 4.687 | \$191,216 | |
| Employee Benefits Legal Liability | 5,754 | \$0.274 | \$1,575 | \$1,000 | 5,650 | 0.274 | \$1,547 | \$1,000 |
| Subtotal: GL Premium | | | \$182,754 | | | | \$192,762 | 5.5% |
| Business Auto | | | | | | | | |
| Liability | 647 | \$410.80 | \$265,785 | \$1,000 | 638 | \$531.67 | \$339,205 | \$1,000 |
| Physical Damage | 647 | \$117.99 | \$76,340 | \$1,000 | 638 | | incl | \$1,000 |
| Hired & Non-Owned | | | \$307 | \$1,000 | | | incl | \$1,000 |
| Garage Keepers | | | \$2,000 | \$1,000 | | | incl | \$100 |
| Subtotal: Auto Premium | | | \$344,432 | | | | \$339,205 | -1.5% |
| Comprehensive Crime | | | | | | | | |
| Employee Dishonesty | \$500,000 | | \$9,028 | \$2,500 | \$500,000 | | \$9,028 | \$2,500 |
| Forgery & Alteration | \$500,000 | | \$1,000 | \$2,500 | \$500,000 | | \$1,000 | \$2,500 |
| Theft, Disappearance & Destruction | \$100,000 | | \$1,800 | \$2,500 | \$100,000 | | \$884 | \$2,500 |
| Computer Fraud | \$500,000 | | \$672 | \$2,500 | \$500,000 | | \$647 | \$2,500 |
| Subtotal: Crime Premium | | | \$12,500 | | | | \$11,559 | -7.5% |
| School Leaders Errors & Omissions | \$1,000,000 | | \$41,267 | \$25,000 | \$1,000,000 | Liberty | \$45,000 | \$25,000 |
| Student Medical Professional | 196 | | \$2,940 | | 204 | | \$3,060 | |
| Sexual Misconduct and Molestation | | | | | \$1,000,000 | | \$3,454 | |
| Approx. builders risk premiums | | | \$10,000 | | | | \$10,000 | |
| TOTAL PREMIUM | | | \$1,194,938 | | | | \$1,257,012 | 5.2% |
| Optional Quotes | | | | | | | | |
| Terrorism | | | \$2,091 | incl | | | \$81,569 | |
| Property Liability | | | \$731 | | | | \$3,953 | |
| Violent Event Response Coverage | | | | | | | \$25,704 | |
| Buses covered at Replacement Cost | | | | | 329 | | \$24,675 | \$1,000 |
| Flood (Zones C & Unshaded X) | | | | | \$1,000,000 | | \$23,148 | \$100,000 |
| Water & Sewer Backup (Optional Limit) | | | | | \$100,000 | | \$10,943 | \$10,000 |
| | | | | | \$250,000 | | \$14,590 | \$10,000 |

**Frederick County Public Schools
2014 – 2015 Optional Insurance Coverage Descriptions**

VIOLENT EVENT RESPONSE COVERAGE

See policy for specific terms, conditions, limitations, exclusions and deductibles

| | |
|------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <u>Pays for:</u> | Loss and response expenses that result from a violent event |
| <u>Limit:</u> | \$1,000,000 |
| <u>Response Expenses Include:</u> | <ul style="list-style-type: none"> • Personal Counseling Services • Medical Expenses • Funeral Expenses • Loss of Income • Additional Transportation expenses to/from substitute premises • Public Relations Consultant • Security Services • Group Counseling • Rental of comparable substitute premises • Wages of Temporary Personnel |

TERRORISM COVERAGE

See policy for specific terms, conditions, limitations, exclusions and deductibles

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|---------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <u>Coverage:</u> | Adds "Terrorism" as a covered cause of loss when certified by the Secretary of the Treasury, in concurrence with the Secretary of State and the Attorney General of the United States to be an act of terrorism. |
| <u>Limits:</u> | Follows existing limits of policy |
| <u>Limitations</u> | <ul style="list-style-type: none"> • \$100 billion Annual Aggregate nationwide • Amounts up to \$100 billion in a year, nationwide, are subject to pro rata allocation in accordance with procedures established by the Secretary of the Treasury. • Nuclear Hazard, and War and Military Actions are excluded. |