

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 will be effective April 1, 2020 through March 31, 2021.
- This insurance will provide protection for loss/damage to real and personal property, including business interruption; data processing; cyber liability; boiler and machinery; business automobile; commercial general liability; crime coverage; builder's risk; errors and omissions and others.
- Insurance premiums for FY21 reflect an increase of approximately 20.8% from FY20 based on the following factors:
 - Insurance Industry average rate increases of 9.4%
 - Average Claim losses exceeding carrier's profitable percentage
 - Increased Property Value (10% increase)
 - Increased Vehicle value
 - Increased Student and Employee Counts
 - Property rate increase (2 year policy avoided a large rate increase last year with over \$100,000 savings)
 - Terrorism Coverage– Increased based on property rate. Option to exclude coverage for \$22,213 savings.
 - General Liability, Auto and Errors & Omissions coverage rate increases
 - Cyber Liability exposure increase and rate decrease
 - Fiduciary Liability exposure increase and rate decrease
 - Builders Risk premium increased due to construction of 3 new schools
 - McGriff Insurance reduced their commission so as not to benefit from rate increase.
- Our Broker, McGriff Insurance, requested competitive Property and Casualty proposals from over 14 carriers. Three Property indications were received, but all three were about \$200,000 more than the current carrier, AFM, with higher deductibles. Despite their significant rate increase, AFM continues to have the best rates and coverage. Additionally, there were no Casualty carriers with an interest in or ability to compete with Wright Specialty/Markel. Wright Specialty continues to be the lowest cost and best value. Alternative Cyber options were also sought and two were received, but AIG continues to provide the best coverage at the most competitive cost.
- No rate guarantees were offered this year due to the insurance industry's rapidly rising rates and capacity decreases.
- Approximately \$1,438,479 (\$1,453,927 annualized) has been spent so far in FY20 on FCPS insurance coverage underwritten by Wright Specialty, Affiliated FM, Liberty Mutual and AIG Insurance.
- Auto, Errors & Omissions and GL increased deductible options were evaluated, with all resulting in increased overall costs
- The overall estimated annual cost for this contract term is expected to be \$1,795,758.
- The following optional coverages were presented by McGriff for FCPS consideration:
 - a. Adverse Event with a \$1,000,000 limit can be added at a cost of \$1,456
 - b. Cyber Liability with a \$3,000,000 limit can be added at a cost of \$27,075
 - c. Umbrella Liability with a \$1,000,000 limit can be added at an approximate cost of \$88,000

Currently, staff does not recommend any of these optional coverages.

- The contract will be administered by Leslie Pellegrino, Chief Financial Officer.

2. **Source of Funding:** FY20 Approved Operating Budget and contingent upon Board approval of FY21 Operating Budget.

B. **Recommendation:** Staff recommends renewal of RFP 11MISC13, Property and Casualty Insurance to McGriff Insurance (Frederick, MD), at an approximate total of \$1,795,758.

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

____ Approved
____ Date

____ Denied
____ Date

____ Deferred
____ Date

____ Other
____ Date

KM/kl
BOE Mtg: 03.25.20

FCPS FY 2021 Insurance Renewal

		Wright/AFM/Liberty/AIG/Chubb FY 2020				Wright/AFM/Liberty/AIG/Chubb FY 2021				% Change	
		Limit	Exposure	Premium	Ded	Limit	Exposure	Premium	Ded	Exposure	Rate
Real & Business Personal Property		\$1,000,000,000	\$1,994,882,189	\$643,427	\$10,000	\$500,000,000	\$2,195,036,018	\$847,654	\$10,000	10.03%	25.00%
Communicable Disease - Business Interruption		\$100,000			48 Hrs	\$100,000			48 Hrs		
Communicable Disease - Property Damage		\$100,000			\$10,000	\$100,000			\$10,000		
Earthquake	Earthquake	\$100,000,000	\$1,994,882,189	Incl	\$50,000	\$100,000,000	\$2,195,036,018	Incl	\$50,000		
	Business Income/Extra Expense	\$5,000,000		Incl	\$10,000	\$5,000,000		Incl	\$10,000		
Flood	Flood (Zones C & Unshaded X)	\$50,000,000	\$1,994,882,189	Incl	\$25,000	\$50,000,000	\$2,195,036,018	Incl	\$25,000		
Boiler & Machinery		\$1,000,000,000	\$1,994,882,189	Incl	\$10,000	\$500,000,000	\$2,195,036,018	Incl	\$10,000		
Engineering Fee				\$50,000				\$37,500			
Terrorism				\$20,000				\$22,213			
Subtotal: Property Premium				\$713,427				\$907,367			
Subtotal: Inland Marine Premium				\$31,627				\$31,627			
Subtotal: Property and IM Premium				\$745,054				\$938,994			
Commercial General Liability (\$1M/\$3M Agg limit)		1,000,000	40,309	\$140,756	\$0	1,000,000	41,310	\$179,284	\$0	2.48%	24.59%
Business Auto		1,000,000	689	\$414,985		1,000,000	677	\$461,115		-1.74%	13.09%
Comprehensive Crime		\$500,000		\$8,277	\$2,500	\$500,000		\$8,277	\$2,500		0.00%
School Leaders Errors & Omissions		\$1,000,000	40,309	\$71,404	\$5,000	\$1,000,000	41,310	\$73,934	\$5,000	2.48%	1.27%
Sexual Misconduct and Molestation		\$1,000,000		Incl		\$1,000,000		Incl			
Terrorism				Incl				\$172			
Subtotal: Casualty Premium				\$635,422				\$723,221			13.8%
Student Medical Professional		\$1,000,000	231	\$3,470		\$1,000,000	252	\$3,780		9.09%	0.00%
Cyber Liability		\$1,000,000	\$602,297,453	\$24,218	\$25,000	\$1,000,000	\$637,141,096	\$25,592	\$25,000	5.79%	-0.11%
Fiduciary Liability				\$25,047				\$25,915		12.00%	-10.93%
International Liability				\$2,500				<i>Per insd not needed</i>			
Subtotal: All Lines				\$1,435,711				\$1,717,502			
Builders Risk	Add'l Premium for new construction	UES, RC		\$50,557		UES, BHE, & RC		\$78,256			0%
TOTAL PREMIUM				\$1,486,268				\$1,795,758			20.8%