

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, 2021 through March 31, 2022.
 - 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 FY22 reflect an increase of approximately 6.9% from FY21 based on the following factors:
 - Insurance Industry average rate increases of 11%
 - Average annual Claims exceed carrier's profitable percentage
 - Increased Property Value (3.4% increase)
 - Increased Vehicle value and Vehicle Count (3.6% increase)
 - Increased Employee and Student Counts (4.6% increase)
 - Property rate increase (9%)
 - General Liability, Auto and Errors & Omissions coverage rate increases
 - Cyber Liability exposure and rate increase
 - Fiduciary Liability renewed with no rate increase
 - Builders Risk premium projected to decrease due to less new school construction
 - 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 15 carriers. Three Property indications were received, but all three were over \$110,000 more than the current carrier, AFM, with higher deductibles. Despite their 9% rate increase, AFM continues to have the best rates and coverage. Liberty Mutual offered comparable pricing and coverages for both Property & Casualty, but their proposal did not provide major financial or coverage advantages. Wright Specialty continues to be the lowest cost and best value. Alternative Cyber options were also sought and one was received. Recommendation is to move from AIG to Crum & Forster for approximately \$6,000 savings and significantly better coverage than AIG's renewal offer.
 - No rate guarantees were offered this year due to the insurance industry's rapidly rising rates and capacity decreases.
 - Approximately \$1,759,148 (\$1,831,938 annualized) has been spent so far in FY21 on FCPS insurance coverage.
 - Auto, Errors & Omissions, and General Liability 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 \$1,959,232.
 - The following optional coverages were presented by McGriff for FCPS consideration:
 - a. Umbrella Liability with a \$1,000,000 limit can be added at an approximate cost of \$96,800.
 - b. Option to exclude property terrorism coverage for \$25,000 savings.
- Currently, staff does not recommend adjustments of these coverages.
- The contract will be co-administered by Joe Whipp, Risk & Safety Manager and Leslie Pellegrino, Chief Financial Officer.

2. **Source of Funding:** FY21 Approved Operating Budget and contingent upon Board approval of FY22 Operating Budget.

B. **Recommendation:** Staff recommends renewal of RFP 11MISC13, Property and Casualty Insurance to McGriff Insurance (Frederick, MD), at an approximate total of \$1,939,232.

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

____ Approved	____ Denied	____ Deferred	____ Other	KM/kl
____ Date	____ Date	____ Date	____ Date	BOE Mtg: 03.24.21

FCPS FY 2022 Insurance Renewal

	Wright/AFM/Hanover/AIG/Chubb FY 2021				Wright/AFM/Hanover/AIG/Chubb FY 2022				% Change	
	Limit	Exposure	Premium	Ded	Limit	Exposure	Premium	Ded	Exposure	Rate
Real & Business Personal Property	\$500,000,000	\$2,237,840,428	\$899,734	\$10,000	\$500,000,000	\$2,314,846,790	\$997,567	\$10,000	3.44%	9%
Business Income/Extra Expense	\$5,000,000		Incl	\$10,000	\$1,000,000		Incl	\$10,000		
Electronic Data Processing Equipment		\$0				Incl	Incl	\$10,000		
Communicable Disease: Business Interruption/Property Damage	\$100,000			48 Hrs	\$1,000			48 Hrs/\$10k		
Earthquake	\$100,000,000	\$2,237,840,428	Incl	\$50,000	\$100,000,000	\$2,314,846,790	Incl	\$50,000		
Flood	\$50,000,000	\$2,237,840,428	Incl	\$25,000	\$50,000,000	\$2,314,846,790	Incl	\$50,000		
Boiler & Machinery	\$500,000,000	\$2,237,840,428	Incl	\$10,000	\$500,000,000	\$2,314,846,790	Incl	\$10,000		
Terrorism	\$500,000,000		\$22,500		\$500,000,000		\$25,000			
Subtotal: Property Premium			\$922,234				\$1,022,567			
Subtotal: Inland Marine Premium			\$32,575				\$9,702			
Subtotal: Property and IM Premium			\$954,809				\$1,032,269			
Commercial General Liability (\$1M/\$3M Agg limit)	\$1,000,000	41,310	\$179,284	\$0	\$1,000,000	43,218	\$206,079	\$0	4.62%	10%
Business Auto	\$1,000,000	677	\$461,115		\$1,000,000	701	\$485,433		3.55%	2%
Comprehensive Crime	\$500,000		\$8,277	\$2,500	\$1,000,000		\$9,378	\$2,500	4.62%	1%
School Leaders Errors & Omissions	\$1,000,000	41,310	\$73,934	\$5,000	\$1,000,000	43,218	\$84,618	\$5,000	4.62%	10%
Sexual Misconduct and Molestation	\$1,000,000		Incl		\$1,000,000		Incl			
Subtotal: Casualty Premium			\$695,475				\$785,508			4%
Student Medical Professional	\$1,000,000	252	\$3,785		\$1,000,000	254	\$3,815		0.79%	0%
Cyber Liability	\$1,000,000		\$25,592	\$25,000	\$1,000,000		\$40,826	\$50,000		59.5%
Fiduciary Liability			\$25,915				\$25,915			0%
Subtotal: All Lines			\$1,705,576				\$1,888,333			7%
Builders Risk	Add'l Premium for new construction	UES, RCS, BHES, WES, OMS	\$126,362		RCS, BHES, OMS		\$18,545			
					WES		\$44,105			
					BES		\$8,248			
TOTAL PREMIUM			\$1,831,938				\$1,959,232			