

Executive Summary

Board of Governors Meeting, December 7, 2022

Commercial Business Insurance

Topic

Citizens is requesting approval to contract with CNA for the following five commercial business coverages for a one-year policy term: Auto; General Liability; Property; Workers Compensation/Employer Liability; and Umbrella (for GL; Auto; Employer Liability). The coverage term is January 1, 2023, through December 31, 2023.

Approval is also requested for up to \$30,000 in additional premium spend across the current and proposed workers compensation policies with CNA, as needed for additional premium associated with payroll increases during the policy periods. This additional premium is expected to be recouped by Citizens at a later date through premium dividends payable under both the expiring and proposed workers compensation policies.

History

This Action Item requests approval to contract for the five commercial business coverages identified above. Citizens has purchased these five coverages for many years to protect against common business risks. Citizens generally purchases these coverages together as a package to obtain best pricing, and that is the case this year. This is the second year purchasing these coverages from CNA.

Auto insurance covers owned, rented, and borrowed (employee owned) vehicles used in the course of business. This policy covers approximately 42 vehicles owned by Citizens with coverage extending to rental cars and personally owned vehicles used in the course of business. The proposed coverage includes \$1 million combined single limit for bodily injury and property damage.

Workers Compensation insurance provides wage replacement and medical benefits protection for employees that are injured in the course of employment. This coverage is required by Florida law. Employers' Liability covers other potential losses for work related bodily injury or disease not covered by Workers Compensation law, such as legal fees for a lawsuit filed by a family member of an injured worker. The proposed Employers' Liability coverage includes a \$1 million aggregate limit.

General Liability and Property insurance are purchased to cover liability exposure for Citizens' locations, and to meet the requirements for Citizens' building leases (Tallahassee and Jacksonville). These coverages are also purchased to cover liability for equipment and to meet liability insurance requirements in order to park our emergency vehicles at catastrophe sites. The proposed General Liability coverage includes a general limit of \$1 million per occurrence and \$2 million in the aggregate. The Property coverage is for \$24,835,735 in total insurable value with replacement cost for personal property.

Umbrella coverage provides an additional \$8 million in coverage in excess of the Auto, General Liability, and Employer Liability coverages.

Quotes for these coverages 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.

Gallagher obtained formal quotes from CNA and Chubb for package coverage including auto, property, general liability, workers compensation and umbrella. Three additional carriers (QBE, Liberty Mutual, and Zurich) declined to quote due to pricing that was not competitive. Several additional carriers declined to quote for other reasons such as lack of appetite. CNA was determined to provide the best

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value due to lowest pricing and most favorable coverage terms. While CNA requires \$333 more premium at the beginning of the term, CNA will provide a premium dividend approximately \$6,400 greater than the Chubb premium dividend. CNA also offers better property loss deductibles.

The total price for these coverages is \$289,867.00 for the one-year term. This pricing is split across the coverages as follows: Auto (\$93,274.00); General Liability (\$12,434.00); Property (\$30,315.00); Workers Compensation/Employer Liability (\$131,969.00); and Umbrella (\$21,875.00). Gallagher's commissions for these policies are 20 percent for Property, General Liability, Auto, and Umbrella, and 12 percent for Workers Compensation. The commissions are paid from the premium.

The proposed policies provide an overall premium increase of approximately 15 percent as compared to last year. Workers compensation increased approximately 15 percent primarily due to increases in payroll. General Liability increased by 2.3 percent. Property, Auto, and Umbrella increased by approximately 21.5 percent, 18.25 percent, and 14 percent respectively. Most of these increases are above the median increases reported by Gallagher for the national market; however, Citizens' premiums remain substantially lower or consistent with Citizens' renewal premiums for 2019-2021. For the national insurance market this year, Gallagher reported median market rate increases of approximately 7.4 percent for auto, 3.9 percent for general liability, 8 percent for umbrella, 1 percent for workers compensation, and 12.1 percent for property.

Approval is also requested for up to \$30,000 in additional premium spend across the proposed 2023 workers compensation policy and the soon-to-expire workers compensation policy approved by the Board for 2022. This additional premium relates to increases in Citizens' payroll that occurred primarily during late 2021 and 2022. The carrier will audit Citizens' payroll after policy expiration and invoice Citizens for premium associated with additional payroll. Citizens will also recoup workers compensation premium through a 20 percent dividend payable after expiration of the current policy, and a 30 percent dividend payable after expiration of the proposed policy. The total premium dividends are expected to exceed the requested \$30,000 in additional spend, but the dividends may not be paid until after payment of additional premium. The dividends are payable to Citizens regardless of loss experience under the policies. The 2022 workers compensation policy was approved by the Board in December 2021 for \$117,731.

Recommendation

Staff recommends that the Board of Governors:

- a) Authorize the purchase of Auto; General Liability; Property; Workers Compensation/Employer Liability; and Umbrella (GL; Auto; Employer Liability) coverage with CNA for a one-year term beginning on January 1, 2023, and ending on December 31, 2023, for a total annual premium of \$289,867.00, as set forth in this Action Item;
- b) Authorize up to \$30,000 in additional premium spend across the current and proposed workers compensation policies with CNA, as needed for additional premium associated with payroll increases during the policy periods; and
- c) Authorize staff to take any appropriate or necessary action consistent with this Action Item.

ACTION ITEM **New Contract** **Contract Amendment** **Other** _____ **CONSENT ITEM** **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	Commercial Business Insurance
<p>Purpose/Scope</p>	<p>This Action Item requests approval to contract with CNA for the following five commercial business coverages for a one-year policy term: Auto; General Liability; Property; Workers Compensation/Employer Liability; and Umbrella (for GL; Auto; Employer Liability).</p> <p>The coverage term is January 1, 2023, through December 31, 2023.</p> <p>Approval is also requested for up to \$30,000 in additional premium spend across the current and proposed workers compensation policies with CNA, as needed for additional premium associated with payroll increases during the policy periods. This additional premium is expected to be recouped by Citizens at a later date through premium dividends payable under both the expiring and proposed workers compensation policies.</p>
<p>Contract ID</p>	<p>Commercial Business Insurance CNA Insurance Companies ("CNA") Arthur J. Gallagher – Business Insurance Agent of Record Contract No. 21-21-0008-00</p>
<p>Budgeted Item</p>	<p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p>

Procurement Method	Quotes for these coverages 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. This contract with Gallagher was procured 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 border="1"> <thead> <tr> <th><u>Policy:</u></th> <th><u>Insurance Carrier:</u></th> <th><u>Premium:</u></th> <th><u>Change %:</u></th> </tr> </thead> <tbody> <tr> <td>Property</td> <td>CNA</td> <td>\$30,315</td> <td>+21.5%</td> </tr> <tr> <td>General Liability</td> <td>CNA</td> <td>\$12,434</td> <td>+2.3%</td> </tr> <tr> <td>Auto</td> <td>CNA</td> <td>\$93,274</td> <td>+18.25%</td> </tr> <tr> <td>Umbrella</td> <td>CNA</td> <td>\$21,875</td> <td>+14%</td> </tr> <tr> <td>Workers Compensation/ Employer Liability</td> <td>CNA</td> <td>\$131,969</td> <td>+15%</td> </tr> <tr> <td><u>Total Cost</u></td> <td></td> <td>\$289,867</td> <td>+15%</td> </tr> </tbody> </table>	<u>Policy:</u>	<u>Insurance Carrier:</u>	<u>Premium:</u>	<u>Change %:</u>	Property	CNA	\$30,315	+21.5%	General Liability	CNA	\$12,434	+2.3%	Auto	CNA	\$93,274	+18.25%	Umbrella	CNA	\$21,875	+14%	Workers Compensation/ Employer Liability	CNA	\$131,969	+15%	<u>Total Cost</u>		\$289,867	+15%
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Contract Terms	<p>The term for these policies is January 1, 2023, to December 31, 2023.</p> <p>Insuring Company: CNA (through its wholly owned companies: Continental Insurance Company; National Fire Insurance of Hartford; American Casualty Company of Reading, PA)</p> <p>Financial Strength: A (Excellent) A.M. Best Rating</p> <p>Financial Size: XV</p>																												
Board Recommendation	<p>Staff recommends that the Board of Governors:</p> <ol style="list-style-type: none"> a) Authorize the purchase of Auto; General Liability; Property; Workers Compensation/ Employer Liability; and Umbrella (GL; Auto; Employer Liability) coverage with CNA for a one-year term beginning on January 1, 2023, and ending on December 31, 2023, for a total annual premium of \$289,867.00, as set forth in this Action Item; b) Authorize up to \$30,000 in additional premium spend across the current and proposed workers compensation policies with CNA, as needed for additional premium associated with payroll increases during the policy periods; and c) Authorize staff to take any appropriate or necessary action consistent with this Action Item. 																												
Contacts	Tim Cerio, General Counsel and Chief Legal Officer																												