


# CENTRAL FLORIDA EXPRESSWAY AUTHORITY

## MEMORANDUM

TO: Members of the Board  
Central Florida Expressway Authority  
4974 ORL Tower Rd  
Orlando, Florida 32807

FROM: Claude Miller, Director of Procurement 

DATE: August 20, 2015

RE: Approval of Insurance Proposal with FMIT

In order to obtain insurance on its assets, the Authority utilizes an independent insurance broker, Arthur J. Gallagher, for risk management advice and the solicitation and evaluation of proposals for insurance coverage. Our current insurance policy for Workers Compensation/Employer's Liability, General Liability & Public Officials Liability, Automobile Liability, and Property & Crime expires on 9/30/15, and is with Florida Municipal Insurance Trust (FMIT), administered by the Florida League of Cities.

Gallagher has performed a full marketing of the Central Florida Expressway Authority's package program. In addition, they considered several deductible options with the current insurers. There were a total of nine carriers that were approached. Gallagher received five firm declinations, two indications and two firm quotes (FMIT and Zurich). Of the two indications, both were significantly higher than the quote from FMIT. The quote from Zurich was not as competitive due to the significantly higher deductible. Apart from the base quote, two higher deductible options from FMIT were considered by CFX management and it was decided that they were not cost effective. The base renewal quote from FMIT for the upcoming year of 10/1/15 to 9/30/16 has a policy premium for \$143,305. This is an increase of 15% from last year's premium. Gallagher recommends renewing the policy with FMIT for the following reasons:

- FMIT is one of the few insurers which is able/willing to provide coverage for the unique exposure posed by the Authority's roadways.
- Gallagher has found FMIT to have an on-going stable program.
- This quote is competitively solicited as noted above.

Staff concurs with Gallagher's recommendation and requests that the Board approve the insurance policy for 10/1/15 to 9/30/16 with FMIT at a premium not to exceed \$145,000 (which will allow for possible slight increases or additions for property).

Consent Agenda 8/15

# Central Florida Expressway Authority

## Executive Summary

Arthur J. Gallagher Risk Management Services, Inc. appreciates the opportunity to present this proposal for your consideration.

This program renews October 1, 2015 for a period of one year and includes coverage for Real and Personal Property, Time Element, Machinery & Equipment Breakdown, Crime, Faithful Performance, General Liability, Employee Benefits Administration Liability, Errors & Omissions (Public Officials) Liability, Employment Practices Liability, Auto Liability, Auto Physical Damage and Workers Compensation / Employers Liability.

A full marketing of CFEA package program was conducted as in previous years. We approached the following carriers in an effort to provide the most comprehensive and cost effective insurance program. Additionally, we have several options to consider with your current insurers should the Authority desire to retain more risk.

### Option 1: Higher Deductible of \$25,000 with FMIT

- Provides CFEA roughly \$14,000 in premium savings; however, CFEA must retain all losses below \$25,000.
- In the past 5 years, CFEA has total incurred losses of **\$22,308** on average below the \$25,000 deductible.
- If future loss history improves, CFEA could save money; however, it is exposed to more risk and would pay more if claims experience continues to be unfavorable.

### Option 2: Higher Deductible of \$50,000 with FMIT

- Provides CFEA roughly \$30,000 in premium savings; however, CFEA must retain all losses below \$50,000.
- In the past 5 years, CFEA has total incurred losses of **\$43,767** on average below the \$50,000 deductible.
- If future loss history improves, CFEA could save money; however, it is exposed to more risk and would pay more if claims experience continues to be unfavorable.

### Option 3: Insuring the FMIT Property via the Zurich Bridges Policy

- This provides roughly a savings of \$17,000; however, CFEA would have a larger property deductible of \$100,000 through the Zurich policy versus the current \$5,000 FMIT deductible
- CFEA has historically had favorable loss experience for property insurance with no major losses paid by FMIT

CARRIER	RESPONSE	COMMENTS
Florida Municipal Insurance Trust	Quoted	Package: As Expiring / \$143,305 Property Deductible \$5K Liability Deductible \$0 Auto Physical Damage Deductible \$500 WC Deductible \$0  Package: \$25K Deductible / \$128,874  Package: \$50K Deductible / \$113,072  *NOTE: FMIT has over the past several years paid a member dividend back to CFEA. This dividend check to CFEA is projected to be \$7,955 after the 10/1/2015 renewal is bound
Public Risk Management of Florida	Indication, Not-Competitive	Package: Indicated 40% higher premium, \$200,000, as a result of loss history. Declined to formally quote as their pricing was dramatically higher than FMIT and unfavorable loss history on liability and workers compensation lines.



# Central Florida Expressway Authority

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## Executive Summary

<b>Brit – Lloyds</b>	Indication, Not Competitive	Package: Indicated a minimum premium of \$150,000 for \$50,000 self-insured retention for all lines of insurance. When including annual deductible expenses, the average annual cost would be \$193,767. Additionally, Brit cannot insure the full property limit which would result in additional premium costs.
<b>Zurich</b>	Quoted Property Option	Property: Agreed to add property TIV of \$29,277,551 to the current Zurich Bridge property policy subject to the same terms and conditions including \$100K deductible and \$500K Named Storm deductible.  The annual premium of \$27,595.60 would be pro-rated to \$20,640.30.
<b>Travelers</b>	Declined to Quote	Package: Declined due to current open loss reserve
<b>Hanover Insurance Company</b>	Declined to Quote	Package: Declined due to FMIT's auto is a very competitive rate and the class of business is outside of their appetite.
<b>Liberty Mutual Insurance Company</b>	Declined to Quote	Package: Declined as their position has not changed from prior years. Liberty would not be a market.
<b>Unisource</b>	Declined to Quote	Workers Compensation: Given nature of operations combined with incumbent/current pricing model and does not have a standard market that would consider nor compete.
<b>Zenith</b>	Declined to Quote	Workers Compensation: Declined due to class of business

Details of FMIT's offer for the 10/1/15 renewal are outlined in this proposal and the total premium for 2015 is **\$143,305**. This is an increase of approximately **15%** from expiring.

The premium increase is coming from the Liability coverage section and FMIT has explained this is due to a recent increase in claims activities. There are three claims currently reserved for over \$100,000. Attached is the FMIT loss runs for your review.

Currently, the CFEA FMIT package program is on guaranteed cost with the only deductible applying being a \$5,000 property deductible and \$500 comp/collision for auto physical damage coverage. FMIT has provided the below deductible options of \$25,000 and \$50,000 across all lines of coverages.

# Central Florida Expressway Authority

## Executive Summary

		EXPIRING PROGRAM		PROPOSED PROGRAM			
LINE OF COVERAGE		CARRIER	COST	CARRIER	OPTION 1 AS EXPIRING	OPTION 2 \$25,000 DEDUCTIBLE	OPTION 3 \$50,000 DEDUCTIBLE
<b>Package Policy Including:</b>	Premium <b>Estimated Cost</b>	Florida Municipal Insurance Trust	\$45,060	Florida Municipal Insurance Trust	\$48,256	\$46,808	\$44,878
<b>Property including</b>	Annualized Cost	(Florida Municipal Insurance Trust)	Included	(Florida Municipal Insurance Trust)	Included	Included	Included
<b>B&amp;M;</b>	Cost		Included		Included	Included	Included
<b>Crime, Finance</b>	TRIA		Included		Included	Included	Included
<b>Director Bond &amp;</b>	Premium		\$15,570		\$19,507	\$17,148	\$15,511
<b>Faithful</b>			Included		Included	Included	Included
<b>Performance;</b>			\$21,664		\$30,458	\$26,733	\$24,156
<b>General Liability</b>			Included		Included	Included	Included
<b>including EBL;</b>			\$4,152		\$4,160	\$3,233	\$3,009
<b>Public Official</b>			\$1,626		\$1,526	\$1,003	\$ 927
<b>Liability including</b>			\$36,587		\$39,398	\$33,949	\$24,591
<b>EPL;</b>							
<b>Auto Liability;</b>							
<b>Auto Physical</b>							
<b>Damage;</b>							
<b>Workers</b>							
<b>Compensation/</b>							
<b>Employee</b>							
<b>Liability</b>							
<b>Total Estimated Program Cost</b>			<b>\$124,659</b>		<b>\$143,305</b>	<b>\$128,874</b>	<b>\$113,072</b>
<b>Percentage Change from Expiring</b>					<b>15%</b>	<b>3%</b>	<b>-9%</b>

The FMIT Board of Trustees has again approved a \$6,000,000 return of premium for members that had property coverage in the 2013-2014 Fund Year. The directive of the Board was to return property premium on the renewing members for 2015-2016 that participated in the Trust's property program in 2013-2014. A preliminary calculation has been made to establish a minimum amount the member can expect to be used for budget purposes. Based on the property premiums paid in 2013-2014 the CFEA can expect \$7,955 in return premium upon renewal of the FMIT program as presented in our proposal. This return premium would be issued and sent by FMIT via a check directly to CFEA.

FMIT has released their changes to Coverage Trust Agreement and the summary they provided is included within the Proposal. FMIT has not confirmed whether any changes will apply to any other coverage forms. As soon as we have this information, we will advise.

We appreciate the opportunity to work with the Authority. In the following pages, we have provided further details on the insurance coverages. Thank you again for allowing us to be your partner in this placement.

**Chris Connelly**  
Thursday, August 20, 2015