


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 22, 2014

RE: Approval of Insurance Proposal with FMIT

The Authority utilizes an independent insurance broker, Arthur J. Gallagher, to obtain insurance on its assets 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 9/30/14, is with Florida Municipal Insurance Trust (FMIT), and administered by the Florida League of Cities.

Gallagher has obtained a renewal quote from FMIT for the upcoming year of 10/1/14 to 9/30/15. That policy premium is for \$121,054, which is an increase of \$17,392 or 17% from last year's premium. The increase is due to the workers compensation payroll re-classification as a result of the FMIT 2012-2013 workers compensation audit. Prior policies classified all employees under the clerical class code. Based on the audit, the Central Florida Expressway Authority engineers and maintenance employees were re-classified to engineer and maintenance class codes which typically have higher rates. Also, employees that have a high rate of travel to clients and business partners were re-classified to the salesperson code which also has a higher rate. Note that the total policy premium decreased by 8.45% for the policy year preceding this one and it also decreased by 7.42% the year prior to that.

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 (three other firms were solicited and declined to quote).

Staff concurs with Gallagher's recommendation and requests the Board approve the insurance policy for 10/1/14 to 9/30/15 with FMIT at a premium not to exceed \$125,000 (which will allow for possible slight increases or additions for property).

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Summary of Policy:

	Premiums	Exposures
• Property including Machinery & Crime	\$45,060	\$28,798,855
• General Liability with Employee Benefits Liability	\$13,913	109 lane miles
• Errors & Omissions with Employment Practices Liab.	\$19,716	Included
• Auto Liability	\$4,152	11 vehicles
• Auto Physical Damage	\$1,626	\$251,800
• Workers Compensation/Employer's Liability	\$36,587	\$5,216,729

Enclosed is the Executive Summary from Arthur J. Gallagher for additional information.

cc: Joe Berenis, Deputy Executive Director
Laura Kelley, Deputy Executive Director
Consent Agenda 9/14

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, 2014 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.

Details of FMIT's offer for the 10/1/14 renewal are outlined in this proposal. Several important items to note:

Total premium for 2014 is \$121,054. This is an increase of approximately **17%** from expiring.

This premium increase is due to the workers compensation payroll re-classification as a result of the FMIT 2012-2013 workers compensation audit. Prior policies classified all employees under clerical class code 8810 which typically had a rate of about .27 cent per \$100 of payroll. Due to the FMIT audit, the 10/1/14 workers compensation policy will now be rated based on:

- Traveling employees are classified as salesperson and rated on class code 8742 with a rate of \$2.91
- Engineers rated under class code 9410 with a rate of \$11.67
- Maintenance employees under class code 5509 with a rate of \$0.52
- Clerical employees under class code 8810 with a rate of \$.26

FMIT has agreed not to audit CFEA 10/1/2013-10/1/2014 based on these new class codes. CFEA will be audited based on all employees being classified as clerical – class code 8810 with a rate of .26. This provides CFEA with an estimated savings of \$32,000.

The FMIT Board of Trustees has again approved a \$7,000,000 return of premium for members that had property coverage in the 2012-2013 Fund Year. The directive of the Board was to return property premium on the renewing members for 2014-2015 that participated in the Trust's property program in 2012-2013. 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 2012-2013 the CFEA can expect \$9,679 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.

(*Values shown as of Policy Inception)	14/15	Change From Prior	13/14	Change From Prior	12/13	Change From Prior	11/12	Change From Prior
PREMIUMS								
Property Incl'g Machinery & Crime	\$45,060	-10%	\$49,907	0.03%	\$49,891	3.97%	\$45,868	-9.72%
GL w/EBL	\$13,913	-21%	\$17,662	-25.25%	\$23,627	-19.51%	\$28,620	24.55%
E&O w/EPL	\$19,716	-7%	\$21,211	-15.24%	\$25,025	-16.05%	\$29,810	33.89%
Auto Liability	\$4,152	-1%	\$4,191	7.02%	\$3,916	-6.00%	\$4,166	-12.53%
Auto Physical Damage	\$1,626	-10%	\$1,797	-12.89%	\$2,063	-9.20%	\$2,272	12.36%
WC/EL	\$36,587	311%	\$8,894	2.07%	\$8,714	1.85%	\$8,556	-14.90%
TOTAL	\$121,054	17%	\$103,662	-8.45%	\$113,236	-7.42%	\$119,292	5.67%

Central Florida Expressway Authority

Executive Summary (Cont.)

(*Values shown as of Policy Inception)	14/15	Change From Prior	13/14	Change From Prior	12/13	Change From Prior	11/12	Change From Prior
EXPOSURES								
Property Incl'g Machinery & Crime	\$28,798,855	-8%	\$29,019,915	0.28%	\$29,101,915	0.37%	\$28,993,443	3.10%
GL w/EBL	109	0%	109	0%	109	3.81%	105	0%
E&O w/EPL	Included	0%	Included	0%	Included	0%	Included	0%
Auto Liability	11 Vehicles	0%	11 Vehicles	0%	11 Vehicles	-8.33%	12 Vehicles	0%
Auto Physical Damage	\$251,800	0%	\$251,801	0%	\$251,800	-2.26%	\$257,633	9.69%
WC / EL	\$5,216,729	317%	\$5,293,085	3.34%	\$5,122,073	-0.84%	\$5,165,233	1.43%

- The Property RATE has decreased from .1622 per \$100 of value (including Extra Expense Values) to .1492 per \$100 of value. This is a decrease of approximately 8%.
- Valuable Papers and Records limit will continue to be \$3M per your endorsement request.
- Blanket coverage and Agreed Value are continued for this renewal.
- The Named Windstorm deductible remains at 3%.
- The Excess Flood Coverage limit remains at \$4,500,000 per occurrence. For Flood Zones A & V, coverage continue to be excess of maximum available NFIP limit which is \$500,000 per building and \$500,000 content. For Flood Zones B, C, D, X and non-zone, deductible is \$100,000 per occurrence per.
- The Real and Personal Property deductible remains at \$5,000 for all locations.
- Equipment breakdown coverage section; covered equipment does not include electrical generating equipment; however, this exclusion does not apply to emergency generators.
- Extra Contractual Legal Expense - \$100,000 limit (EEOC, Florida Commission on Human Relations, Ethics). Please note the Sunshine Law violations are no longer covered.
- Bodily Injury Liability and Property Damage Liability are not excluded as a result of a hostile fire.

FMIT has not released their changes to the Trust Agreement or coverage forms. As soon as we have these, we will forward them to your attention.

We appreciate the opportunity to work with the Authority and recommend that coverage be renewed with the Florida Municipal Insurance Trust.

Carmen Falcon, AAI
Account Manager