

MEMORANDUM

To: Steve Ehlmann, County Executive

Cc: Joann Leykam, Dir. of Administration
Bob Schnur, Asst. Dir. of Administration
Tracy Bayne, Acting Director of Finance

From: Ed Noonan, Risk Manager

Date: May 12, 2022

Re: 2022-23 Property, All-Lines Liability and Excess Work Comp. Insurance Renewal

Insurance companies have been reluctant to renew the coverages for the coming insurance year for Property, Worker Compensation and Liability without significant program changes and/or premium increases. This is a common national issue for municipal governments. St. Charles County has some complicating factors such as coverage for Smartt Field which is in a flood prone area, the Family Arena, pilots in the Regional Metro Air Support, the size of the jail and inmate propensity for suit.

PROPERTY INSURANCE: The Property program insured via the Chubb group contains no changes in terms or conditions with a nominal premium increase of \$52,000 to \$671,244 (one month at last year's rate and 11 months at the renewal rate due to the one-month policy extension of last year's policy granted by the carrier). However, we continue to have a substantial exposure in the area of tornado, wind/hail and especially flood coverage at the Airport and Hideaway Harbor Park. Both of these locations have a \$1.0 million flood limit with a deductible of \$500,000. As a point of reference, the 2019 flood claim at Smartt Field was in excess of \$3.0 million. No carriers are interested in providing a quote for tornado, wind/hail and flood coverage that would provide the limits the County had prior to 2020.

Recommendation: Renew with Chubb

ALL-LINES LIABILITY INSURANCE: Munich Re, one of the largest re-insurance companies in the world, is the current General, Employee Practices, Law Enforcement, Auto, Harassment and Abuse carrier. Munich Re is seeking a premium increase of approximately \$71,000 to renew the County insurance program as it is currently designed (Option 1). Munich Re cites the national increased law enforcement exposure as the driving factor in their rate increase. Currently, as shown in Option 1, the County has a \$250,000 self-insured retention with limits of \$8.0 million per occurrence \$10.0 million aggregate for all coverages except sexual abuse which has a \$1.0 million limit and \$100,000 retention. Two other options are being offered: keep all limits the same but increase the law enforcement and errors and omissions to either a \$350,000 (Option 2) or \$500,000 retention (Option 3).

	<u>Option 1</u>	<u>Option 2</u>	<u>Option 3</u>
Auto	\$8.0 x/o \$250,000	\$8.0 x/o \$250,000	\$8.0 x/o \$250,000
General	\$8.0 x/o \$250,000	\$8.0 x/o \$250,000	\$8.0 x/o \$250,000
Law Enf.	\$8.0 x/o \$250,000	\$8.0 x/o \$350,000	\$8.0 x/o \$500,000
E & O*	\$8.9 x/o \$250,000	\$8.0 x/o \$350,000	\$8.0 x/o \$500,000
E&O (Sexual Abuse)*	\$1.0 x/o \$100,000	\$1.0 x/o \$100,000	\$1.0 x/o \$100,000
Employee Benefits*	\$8.0 x/o \$250,000	\$8.0 x/o \$250,000	\$8.0 x/o \$250,000
Premium	<u>\$661,713**</u>	<u>\$610,456</u>	<u>\$563,141</u>

* Claims made coverages with Retroactive dates of 5/1/11 for E&O and Employee Benefits and 5/1/19 for Sexual Abuse.

** One month premium at last year's rate and 11 months at the renewal rate due to the one-month policy extension of last year's policy granted by the carrier.

Recommendation: While the All Lines (Liability) program could offer a savings of approximately \$51,000 (Option 2) or \$98,000 (Option 3) over the current program, given the current national litigious environment cited by Munich Re, I would recommend renewing at the current excess insurance levels reflected in Option 1, with Munich Re.

WORKER COMPENSATION: The expiring excess workers compensation policy currently has a self- insured retention of \$500,000. Midwest Employers will not renew at that level and will terminate the program if we do not accept one of the following: Either 1) Increase the retention for law enforcement classified employees to \$750,000 and keep the remaining employees at the current \$500,000 for a one-year policy at a prospective premium of \$185,497 or 2) increase the retention for all employees to \$750,000 for \$174,852 with a two-year guarantee on both the rate and retention. The current premium is \$166,079. Safety National, the only other viable company, did not provide a quote.

Recommendation: Given that the County has not pierced the workers compensation self- insured threshold, even at the \$250,000 level, in some 25 years the recommendation would be to lock-in the two-year pricing guarantee with Midwest Employers and avoid a rate increase next year.

If you concur with the above three recommendations please forward to the County Council for inclusion on the upcoming Consent agenda on May 31, 2022.