

THE SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA

FINANCIAL SERVICES DEPARTMENT

M_E_M_O_R_A_N_D_U_M

TO: Mitsi Corcoran, Chief Financial Officer

FROM: Lynn Peterson, Risk Manager

DATE: June 2, 2014

SUBJECT: Workers' Compensation Specific Excess Insurance Renewal 7/1/2014

Background:

The current policy with *State National Insurance Company* will expire on 6/30/14. The policy was actually written with Star Insurance Company, but on August 2, 2013 Star Insurance Company was downgraded to B++. Because the School Board of Sarasota County must only conduct insurance business with "A" rated insurance companies, Star's parent company, Meadowbrook Insurance Group, transferred the placement of the excess workers' compensation to State National Insurance Company. State National Insurance Company filed the proper papers with the State of Florida to handle the Star Policy with no changes to the provisions of the policy.

The expiring rate per \$100 of ratable payroll is 0.0406. The policy has a self-insured retention of \$750,000 per claim and a specific limit of \$25,000,000 per claim. The employer liability limit is \$2,000,000. The gross deposit premium for the current policy year before adjustments [subject to year-end payroll audit] is \$98,408.00.

The workers' compensation excess policy for 2014-2015 will increase due to several factors. First, the workers' compensation rate has increased due to rising medical costs and an aging workforce. Secondly, payroll increased by approximately 4%. Finally, the School Board of Sarasota County's experience rate has increased significantly. This rate went from .94 to 1.09. This is the result of a deterioration of high cost claims. The School Board has 5 claims with over \$400,000 total incurred (including 3 over \$600,000). The insurance company actuaries are projecting 3 of those claims will reach \$1,000,000 each.

Renewal:

Our insurance broker obtained quotes from the current carrier and three (3) other competitors. Four additional competitors were approached, but declined to quote due to uncompetitive pricing or minimum premium level of \$200,000. The best terms were offered by Arch Insurance Company. Arch quoted a (1) year rate of 0.0673 per \$100 of ratable payroll with the same policy terms and conditions as the expiring program, except the policy period. The policy period will be for one year [7/1/2014 – 6/30/2015].

Recommendation:

I recommend we renew the rate quoted by Arch Insurance Company. The deposit premium will be \$169,384, assuming the ratable payroll of \$251,684,915.

If you have any questions, please let me know.

Attachment