

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, Supervisor of Risk Management

DATE: May 17, 2017

SUBJECT: Workers' Compensation Specific Excess Insurance Renewal 7/1/2017

Background:

The current policy with *Arch Insurance Company* has a self-insured retention (deductible) of \$750,000 and will expire on 6/30/17.

Workers Compensation claim costs are expected to continue to increase for several reasons. First and most importantly is due to the recent Supreme Court decisions in two very significant and different cases (*Westphal vs. City of St. Petersburg* and *Castellanos vs. Next Door Company*). The *Westphal* case increases temporary total benefits (lost time wages) from 104 weeks to 260 weeks. The *Castellanos* case eliminates the cap on attorney fees that was implemented in 2003. As a result of the decisions in these cases, workers compensation claims costs are expected to increase by as much as 20%. Due to the expected increase in claim costs, the National Council on Compensation Insurance (NCCI) increased overall workers' compensation rates in December 2016 and another increase is expected sometime in 2017. Secondly, the District continues to experience an increase in large loss claims (those exceeding \$50,000). This is most likely due to the significant increase in medical costs and the aging population of District employees. Finally, there continues to be a lack of significant competition in the excess workers' compensation market.

Renewal:

Our insurance broker obtained quotes from the current carrier and one other competitor. Five additional competitors were approached for quotes. Three declined to quote because their required minimum self-insured retention is \$1,000,000. A fourth company declined to quote due to Johns Eastern not being an approved TPA with their company and a fifth company did not respond to the brokers request for a quote.

The best terms were offered by the incumbent carrier, *Arch Insurance Company*. *Arch* quoted a two year rate guarantee of 0.06160 per \$100 of ratable payroll. This rate represents a 6.81% decrease over last year's rate. This decrease was mainly due to the competition with New York Marine and their recent aggressive quoting history. The policy terms and conditions will remain the same. The policy period will be 7/1/2017 – 6/30/2019.

Recommendation:

I recommend we renew at the two year rate guarantee quoted by Arch Insurance Company. The two year rate guarantee is the best option as claim costs are anticipated to rise significantly, for reasons stated above. In addition, next year there is the potential New York Marine may opt not to quote possibly leaving only the incumbent.

The deposit premium will be \$165,747 assuming the ratable payroll of \$269,069,573.

If you have any questions, please let me know.

Attachment



SCHOOL BOARD OF SARASOTA COUNTY
Historical Policy Information

Policy Period	Policy Number	Self Insured Retention	Specific Limits	Employers Liability Limits	Carrier	Total Payroll	Rate (per \$100 of Payroll)	Premium	Rate Increase/ Decrease
7/1/96-97	W12580050	500,000	Statutory	1,000,000	C N A	134,242,566	0.0384	51,549	
7/1/97-98	W128581375*	500,000	Statutory	1,000,000	C N A	139,379,699	0.0320	44,602	-16.67%
7/1/98-99	W128581375	500,000	Statutory	1,000,000	C N A	144,516,832	0.0320	46,245	0.00%
7/1/99-00	W128581375	500,000	Statutory	1,000,000	C N A	149,653,966	0.0320	47,889	0.00%
7/1/00-01	RSU0901517	500,000	Statutory	1,000,000	Republic Western	157,913,306	0.0278	45,868	-13.13%
7/1/01-02	RSU0901517	500,000	Statutory	1,000,000	Republic Western	166,706,788	0.0278	46,344	0.00%
7/1/02-03	3372-SO-FL	750,000	25,000,000	1,000,000	Midwest	176,186,586	0.0549	96,726	97.48%
7/1/03-04	3372-SO-FL	750,000	25,000,000	1,000,000	Midwest	202,038,939	0.0650	131,325	18.40%
7/1/04-05	W128588620	750,000	25,000,000	1,000,000	C N A	227,989,626	0.0619	141,126	-4.77%
7/1/05-06	W128588620A	750,000	25,000,000	1,000,000	C N A	252,180,919	0.0629	158,622	1.62%
7/1/06-07	EWC007635	750,000	25,000,000	2,000,000	Midwest	272,163,735	0.0587	159,760	-6.68%
7/1/07-08	EWC007635	750,000	25,000,000	2,000,000	Midwest	280,960,397	0.0498	139,918	-15.16%
7/1/08-09	EWC007635	750,000	25,000,000	2,000,000	Midwest	273,170,441	0.0498	136,039	0.00%
7/1/09-10	EWC007635	750,000	25,000,000	2,000,000	Midwest	259,433,715	0.0459	119,080	-7.83%
7/1/10-11	EWC007635	750,000	25,000,000	2,000,000	Midwest	255,680,711	0.0459	117,357	0.00%
7/1/11-12	WCE-0699383-11	750,000	25,000,000	2,000,000	Star	242,383,368	0.0350	84,834	-23.75%
7/1/12-13	WCE-07-5865-12	750,000	25,000,000	2,000,000	Star	247,440,110	0.0350	86,604	0.00%
7/1/13-14	WCE-07-5865-13	750,000	25,000,000	2,000,000	Star	250,378,827	0.0406	101,654	16.00%
7/1/14-15	WCX005712700	750,000	25,000,000	1,000,000	Arch	255,461,682	0.0673	171,926	65.76%
7/1/15-16	WCX005712701	750,000	25,000,000	2,000,000	Arch	252,614,089	0.0711	179,609	5.65%
7/1/16-17	WCX005712702	750,000	25,000,000	2,000,000	Arch	246,571,151	0.0661	162,984	-7.03%
7/1/17-18*	TBD	750,000	25,000,000	2,000,000	Arch	269,069,574	0.0616	165,747	-6.81%
7/1/18-19*	TBD	750,000	25,000,000	2,000,000	Arch	269,069,574	0.0616	165,747	0.00%

* 2 year rate guarantee for 7/1/17-19.