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: May 07, 2013

SUBJECT: Workers' Compensation Specific Excess Insurance Renewal 7/1/2013

Background:

The current policy with *Star Insurance Company* will expire on 6/30/13. The policy was written with a (2) year rate guarantee that covered the period July 1, 2011- June 30, 2013. Last year I instructed our insurance broker to obtain quotes from competitors. Due to uncompetitive pricing by competitors, the Star policy was renewed at the guaranteed rate. The expiring rate per $100 of ratable payroll is 0.0350. 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 $89,285.

The Florida Workers Compensation insurance industry as a whole has implemented increases due to factors such as medical inflation for serious injury types, increase in medical severity by 4% annually (since 2007) and the highest loss ratios since 1999.

Renewal:

Our insurance broker obtained quotes from the incumbent carrier and two (2) other competitors. Five additional competitors were approached, but declined to quote due to uncompetitive pricing or minimum premiums in excess of $150,000. The best terms were offered by the incumbent, Star Insurance Company. Star quoted a (1) year rate of 0.0406 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 [7/1/2013 – 6/30/2014].

Recommendation:

I recommend we renew the rate quoted by Star Insurance Company. This rate a 16% increase from the expiring program. The deposit premium will be $98,408, assuming the ratable payroll of $242,383,368.

If you have any question, please let me know.

Attachment