

Revised Item and Support Material Agenda Item No. 21

Board of Directors Meeting

November 4, 2015

10:30 a.m.

Location:

San Bernardino Associated Governments
Santa Fe Depot - First Floor Lobby
1170 W. 3rd Street, San Bernardino, California 92410

Discussion Calendar

Administrative Matters

21. Insurance Premium Update

- A. Approve the recommended Program Year 2015/2016 workers compensation policy renewal and premium with Berkshire Hathaway, and
- B. Authorize the Executive Director or his designee to execute the insurance renewal documentation.

The recommendation and background to this item was revised to reflect the change in carrier that provided a lower quote for workers compensation coverage. The report attached as support material has also been updated.

Minute Action

AGENDA ITEM: 21

Date: *November 4, 2015*

Subject:

Insurance Premium Update

Recommendation:

A. Approve the recommended Program Year 2015/2016 workers compensation policy renewal and premium with ~~Zenith Insurance Company~~ Berkshire Hathaway, and

B. Authorize the Executive Director or his designee to execute the insurance renewal documentation.

Background:

On July 1, 2015 the SANBAG Board of Directors approved general liability, excess liability, automotive, public officials' and property insurance policies and premium renewals. Crime and excess crime insurance will be renewed on July 1, 2016. Workers compensation was being extended to December 1, 2015, to avoid a large 25% increase based on rate increases Zenith Insurance is requesting from the State of California. The policy renewal information is provided in Exhibit A for Workers Compensation.

The total premium cost (including taxes) of ~~\$84,772-\$53,534~~ represents a ~~6.632.6%~~ or ~~\$5,283~~ \$25,955 decrease ~~increase~~ from the previous year for workers compensation insurance. The increase is due to an increase in estimated payroll. The rate per \$100 of payroll decreased from \$1.5026 to ~~\$1.4499~~ \$.9463.

The recommendation and background to this item was revised to reflect the change in carrier that provided a lower quote for workers compensation coverage. Representatives from Keenan will be present to answer questions regarding the renewal of policies.

Financial Impact:

This item is consistent with the approved Fiscal Year 2015/2016 Budget, Task 0400, Indirect General and Project Management Funds.

Reviewed By:

This item has not received prior policy committee or technical advisory committee review. SANBAG General Counsel has reviewed this item.

Responsible Staff:

Hilda Flores, Chief of Fiscal Resources

Approved
Board of Directors
Date: November 4, 2015

Witnessed By:

RENEWAL PROPOSAL

SAN BERNARDINO ASSOCIATED GOVERNMENTS

Workers' Compensation Renewal Proposal for the 2015-2016 Program Year

October 29, 2015

Presented By:

Keenan
Associates

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PROGRAM PREMIUM COST SUMMARY

	<u>Zenith Expiring</u> <u>Program</u> <u>12/1/14 - 12/01/15</u>	<u>Zenith Renewal</u> <u>Program</u> <u>12/1/15 - 12/1/16</u>	<u>Berkshire Hathaway</u> <u>Renewal Program</u> <u>12/1/15 - 12/01/16</u>
Workers Compensation Program	12 Months	12 Months	12 Months
Exposure Base (Estimated Payroll)	\$ 4,907,246.00	\$ 5,477,165.00	\$ 5,744,165.00
Rate per \$100 Payroll	\$ 1.5026	\$ 1.4499	\$ 0.9463
Premium (Including surcharges)	\$ 77,039.00	\$ 82,022.00	\$ 53,534.00
Intermediary Fee (Not Keenan)	\$ 2,450.00	\$ 2,750.00	\$ -
Total Estimated Annual Premium:	\$ 79,489.00	\$ 84,772.00	\$ 53,534.00

All quotes and/or indications are subject to all terms and conditions included in other sections of this proposal and actual policies. This proposal provides a summary of coverages and estimated premiums. In the event of a discrepancy, the actual terms, conditions, limitations and exclusions of the policy shall prevail.

MARKETS APPROACHED

In the process of marketing your program needs, we approached the following companies to obtain quotes for one or more of your coverages.

Name of Carrier	A.M. Best Rating	Admitted / Non-Admitted	
AmTrust	A	Admitted	Declined
Berkshire Hathaway	A++	Admitted	Quoted
ICW	A-	Admitted	Declined
State Fund	AA+	Admitted	In Review
Zenith Insurance Company	A IX	Admitted	Quoted

CARRIER RATINGS AND ADMITTED STATUS

Guide to Best Ratings Rating Levels and Categories

Level	Category	Level	Category
A++, A+	Superior	C, C-	Weak
A, A-	Excellent	D	Poor
B++, B+	Very Good	E	Under Regulatory Supervision
B, B-	Fair	F	In Liquidation
C++, C+	Marginal	S	Rating Suspended

Financial Size Categories

(In \$000 of Reported Policyholders' Surplus Plus Conditional Reserve Funds)

FSC I	Up to 1,000	FSC IX	250,000 to 500,000
FSC II	1,000 to 2,000	FSC X	500,000 to 750,000
FSC III	2,000 to 5,000	FSC XI	750,000 to 1,000,000
FSC IV	5,000 to 10,000	FSC XII	1,000,000 to 1,250,000
FSC V	10,000 to 25,000	FSC XIII	1,250,000 to 1,500,000
FSC VI	25,000 to 50,000	FSC XIV	1,500,000 to 2,000,000
FSC VII	50,000 to 100,000	FSC XV	2,000,000 or more
FSC VIII	100,000 to 250,000		

Best's Insurance Reports, published annually by A.M. Best Company, Inc., presents comprehensive reports on the financial position, history, and transactions of insurance companies operating in the United States and Canada. Companies licensed to do business in the United States are assigned a Best's Rating which attempts to measure the comparative position of the company or association against industry averages. Copies of the Best's Insurance Reports on the insurance companies are available upon your request. Keenan uses A.M. Best & Co.'s rating services to evaluate the financial condition of the insurers whose policies we propose to deliver. The rating of the carrier and the year of the publication of that rating are indicated above. Keenan makes no representations and/or warranties concerning the solvency of any carrier, nor does it make any representation or warranty concerning the rating of the carrier which may change.

ZENITH INSURANCE COMPANY

Carrier	2014-15 Estimated Payroll	Rate	Estimated Annual Premium	State Assessments	Deposit (10% of Annual Premium)	Total Deposit (Deposit + State Assessments)	Total Costs	Wholesaler Fee	
Zenith Insurance Company	\$ 4,907,246	\$ 1.5026	\$ 73,735	\$ 3,304	\$ 7,374	\$ 10,678	\$ 77,039	\$ 2,500	

Carrier	2015-16 Estimated Payroll	Rate	Estimated Annual Premium	State Assessments	Deposit	Total Deposit (Deposit + State Assessments)	Total Costs	Wholesaler Fee	Decrease /Increase in Rate
Zenith Insurance Company	\$ 5,477,165	\$ 1.4499	\$ 79,415	\$ 2,607	\$ 7,942	\$ 10,549	\$ 82,022	\$ 2,750	-4%

Note:

1. Workers' Compensation Quote is based on Estimated Payroll of \$5,477,165 as stated on the Acord 130 Application.
2. Payment Plan: Due directly to Zenith Insurance is the Deposit of \$10,549 (10% Deposit Premium \$7,942 + State Assessment Charges \$2,607) and Semi-Annual Audits with nine (9) monthly installments of \$7,942.
3. Acord 130 Application must be signed by the insured.
4. There is a Wholesaler Intermediary Fee Charge of \$2,750. An invoice from Keenan will be sent to SANBAG for payment.

BERKSHIRE HATHAWAY HOMESTATE COMPANIES

	Carrier	2014-15 Estimated Payroll	Rate	Estimated Annual Premium	State Assessments	Deposit (10% of Annual Premium)	Total Deposit (Deposit + State Assessments)	Total Costs	Wholesaler Fee	
	Zenith Insurance Company	\$ 4,907,246	\$ 1.5026	\$ 73,735	\$ 3,304	\$ 7,374	\$ 10,678	\$ 77,039	\$ 2,500	
	Carrier	2015-16 Estimated Payroll	Rate	Estimated Annual Premium	State Assessments	Deposit	Total Deposit (Deposit + State Assessments)	Total Costs	Wholesaler Fee	Decrease /Increase in Rate
	Berkshire Hathaway	\$ 5,477,165	\$ 0.9463	\$ 51,832	\$ 1,702	\$ 7,775	\$ 9,477	\$ 53,534	\$ -	-37%

Note:

1. Workers' Compensation Quote is based on Estimated Payroll of \$5,477,165 as stated on the Acord 130 Application.
2. Direct Payment Plan: Due to Cypress Insurance Company is the Deposit of \$9,476.80 (15% Deposit Premium \$7,774.80+State Assessment Charges \$1,702) and with nine (9) monthly installments of \$4,895.24.
3. Acord 130 Application must be signed by the insured.
4. USL&H coverage is not included.
5. Coverage for volunteers is not included.

BIND ORDER SELECTION

BIND COVERAGES: EFFECTIVE 12/01/2015

I have reviewed and accept the attached Proposal. Please accept this as our authorization to bind coverage effective December 1, 2015. This proposal provides a summary of coverages. In the event of a conflict, the actual terms, conditions, limitations and exclusions of the policy shall prevail.

1. **Zenith**
[] \$84,772 Annual term 12/1/15 to 12/1/16 with Intermediary Fee of \$2,750 included
2. **Berkshire Hathaway:**
[] \$53,534 Annual term 12/1/15 to 12/1/16
3. **State Fund:** Handout

Signature _____ Date _____

KEENAN DISCLOSURE STATEMENT

Nature of Our Services

As your broker, Keenan will act as your advisor and consultant, but you will remain the ultimate decision maker. We will assist you in evaluating the information presented so that you can make an informed decision. You will, at all times, retain the right and responsibility to determine whether to accept or implement any information, recommendation, or suggestion presented by Keenan.

Keenan does not provide legal, tax, or accounting service, advice, or opinion, and our services are not to be interpreted as representing any such service, advice, or opinion. Clients are expected to consult their own counsel and their tax/accounting experts on all legal, tax, and accounting matters relating to their insurance programs.

Needs Assessment and Marketing Plan

Keenan will work with you to assess and address your insurance needs. During this phase we will gather important information from you that will help us to develop a marketing plan and present your organization to prospective carriers. It is important that any information you provide us – or that someone else provides on your behalf – is accurate and complete. Prospective carriers will rely on this information as they develop their quotes.

After we develop a marketing plan, Keenan will contact those markets that it has determined most likely to meet the needs you have identified. We will not, however, contact every available market for the particular coverage being sought. In so far as practical, Keenan will honor requests to contact specific markets, but Keenan will not present a client to any carrier that we have determined will not provide a competitive quote. Keenan cannot guarantee the availability or price of insurance products, and cannot be responsible for fluctuations in the premiums charged by insurers.

Use of Intermediaries

We generally prefer to approach markets directly wherever possible. Upon occasion, however, we may use intermediaries, including but not limited to co-brokers, sub-brokers, managing general agents/managing general underwriters, wholesale brokers, or reinsurance brokers if we believe it is necessary or appropriate.

Marketing Results and Review of Options

Keenan will report to you in summary format, information concerning all markets and carriers approached. The summary shall include, as applicable: name of carriers approached, limits, premium, and deductible. The summary shall also include the names of any carriers who declined to provide a quote. We will also present a comparison summary highlighting the significant terms and/or differences among the various coverages quoted. The summary is provided **for convenience only**. It is not a comprehensive review of all policy terms and conditions. It is your responsibility to ask questions and to request any additional information that you deem necessary to make an informed decision regarding your insurance or self-insurance program.

Keenan cannot guarantee the solvency of any carrier with which we place business. Clients are encouraged to review all publicly available information and to contact us regarding any questions they may have. Ultimately, it remains the client's decision whether or not to accept a particular insurance carrier.

Binding Coverage

Once you have made your decision, Keenan will communicate your decision to the selected carrier so that coverage can be bound on your behalf. It is your responsibility to carefully review all documents we give you, including binders, policies and endorsements, and to advise us immediately if you find any mistakes, or believe the materials do not properly reflect your needs or instructions.

Compensation

Our service agreement with you will outline the specific terms of Keenan's compensation. Brokers often receive commissions from insurance carriers based on the insurance products sold. Commissions that are directly related to the insurance coverage purchased may impact the pricing that Keenan is able to obtain for such coverage.

It is possible that Keenan may also provide services to other entities that also provide services to our clients. They may include administrative, underwriting, marketing, loss control, and/or reinsurance related services. To the extent that any such services are provided, Keenan will be separately compensated by the recipient of those services.

Consistent with industry practices, insurers may also pay insurance brokers, such as Keenan, indirect compensation based upon volume efficiencies, client renewals, marketing services, product development, technology investments and other additional services. Keenan seeks written assurances from insurers that any such indirect compensation will not adversely impact the pricing or coverage terms that Keenan is able to obtain for its clients.

Keenan complies with all applicable state and/or federal laws and regulations regarding disclosure of compensation. We embrace industry efforts for transparency and believe it is important that clients have access to information that may be relevant to their choice of insurance products, including the cost of such insurance and services, and, the compensation that may be directly or indirectly paid to Keenan in connection with the products or services that are selected. If you have questions regarding any of these items or desire additional information, you may contact your Keenan account representative to discuss this matter in more detail.

CARRIER QUOTES