



San Bernardino County Employees' Retirement Assoc.

Staff Report Details (With Text)

File #: 22-224 **Name:**

Type: Consent Item

File created: 5/25/2022 **In control:** BOARD OF RETIREMENT

On agenda: 6/2/2022 **Final action:**

Title: Approve renewal of property and casualty insurance with Alliant Insurance Services and the Marsh & McLennan Insurance Agency LLC for fiscal year 2022-2023 in an amount not to exceed \$358,640 with a contingency of \$5,000 to account for extreme dislocations in the insurance market that might change some of the quotes prior to binding coverage.

Sponsors:

Indexes:

Code sections:

Attachments: 1. Exhibit A: Proposed Property and Casualty Insurance Coverage Costs

Date	Ver.	Action By	Action	Result
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FROM: Stacey Barnier, Director of HR and Risk Management

SUBJECT: Renewal of property and casualty insurance coverages

RECOMMENDATION:

Approve renewal of property and casualty insurance with Alliant Insurance Services and the Marsh & McLennan Insurance Agency LLC for fiscal year 2022-2023 in an amount not to exceed \$358,640 with a contingency of \$5,000 to account for extreme dislocations in the insurance market that might change some of the quotes prior to binding coverage.

BACKGROUND:

SBCERA conducted Request for Qualifications followed by a Request for Proposals in Spring 2020 with the help of G2 Risk Consulting to test the market and put in place appropriate coverage in various areas of our property and casualty risk management program. Alliant Insurance Services was awarded the contract for our Fiduciary Liability and Employment Practices insurance coverage whereas Marsh & McLennan Insurance Agency LLC was awarded the contract for the remainder of our casualty insurance coverages including cyber, property, general liability, excess/umbrella, Crime, and worker's compensation coverages.

Both carriers shopped SBCERA's risk portfolio to various carriers in based on the lines of coverage. Industry literature as well as discussions with our brokers illustrate that that the insurance market has significantly hardened as a result of the Covid-19 pandemic. While we are seeing an overall increase in premiums, this is not surprising given the current state of the world. Fiduciary Liability coverage costs have continued to rise primarily as a result of the significant increase in excessive fee litigation in the defined contribution space nationwide as well as costs associated with Alameda-decision related claims here in California.

As a result of the market conditions, we are also seeing an increase in our property policy because the building has increased in value. The cyber insurance market conditions have dramatically changed, so much that carriers are leaving the market all together. Cyber insurance carriers have changed the way they rate this line of coverage to determine premiums. Previously carriers rated this class of business on a percentage of total assets and moving forward it is now rated 100% off total asset value. Marsh is still pursuing alternative options to this after approaching more than 20 markets. Many carriers will not release quotes more than 30 days prior to the expiration of an existing policy. We are hopeful that we will receive more competitive premiums for cyber coverage as we get closer to the policy renewal date of July 1.

Our renewals for general liability, auto, crime, fiduciary dishonesty, and business travel insurance were flat and our umbrella policy premium was increased less than 1%. Additionally, after our first workers compensation premium reconciliation, we are very pleased to show a net decrease of 27% on our workers compensation premium. This is due to premium caps on salary earned and no change in our rating factor of \$0.50 per \$100 of remuneration to staff. Additionally, we recommend adding a deadly weapons policy in light of the rampant gun violence across the United States.

Exhibit A outlines the recommended coverages and associated price quotes which are subject to change as a result of market conditions at the time we actually bind insurance coverage. As a result, staff recommends approval of contingency funding in the amount of \$5,000 to account for extreme dislocations in the insurance market that might change some of the quotes prior to binding coverage.

BUDGET IMPACT:

Costs for this item are included in the current year administrative budget.

STRATEGIC PLANNING GOAL/OBJECTIVE:

Operational Excellence & Efficiency
Prudent Fiscal Management

STAFF CONTACT:

Stacey Barnier

ATTACHMENTS:

Exhibit A: Proposed Property and Casualty Insurance Coverage Costs