

**Property & Casualty Insurance Bid**

**Goal:** To purchase Property & Casualty insurance that provides protection for Roane County's assets and to provide professional and general liability insurance for the county with the most insurance coverage for the best price.

**Objective:** To evaluate the bids received to determine the most responsive bid looking at both coverage and cost; consulting with the County Executive, County Commissioners in the insurance industry, the agents submitting bids and the county's Risk Consultant.

**Assumptions:**

1. Bids for all types of coverage except Worker's Compensation must be bound by June 30, 2011 at 11:59 p.m.
2. The county has Worker's Compensation insurance through September 30, 2011.
3. Most liability claims have been professional liability claims in the Sheriff's Department.
4. The 2010-11 has been the highest claim year for worker's compensation since becoming self-funded.
5. There are two types of insurance to be evaluated traditional insurance and pool insurance.

**Analysis:**

1. Since there is no urgency in making a change in worker's compensation insurance due to the renewal date being October 1, 2011, the decision about buying a fully funded worker's compensation insurance program can be delayed until sufficient analysis can be done on the self-funded program.
2. **AGA Insurance** submitted a bid for a complete package with the Local Government Insurance Pool. In looking at the pool coverage versus the traditional insurance program, it was determined that there is savings associated with the pool insurance. The Local Government Insurance Pool is a stable program and the concept of the pool is attractive. Of the two County Commissioners in the Insurance industry, one opposed joining the Local Government Insurance Pool, one did not voice any direct opposition to joining the pool and the consultant recommended that the county not join the pool. The consultant felt that there is too much risk associated with the pool insurance and should not be considered at this time. Below are some of the areas of concern:
  - a. The pool is accessible to the members should the pool have catastrophic claims.
  - b. The pool is not supported by the State of Tennessee insolvency fund.
  - c. While the pool pays for the defense of employment practices, the pool does not provide coverage for any monetary awards should the county not prevail.

- d. The pool does not use standard ISO forms
  - e. There is no coverage for the following:
    - i. Unintentional, faulty or incomplete information
    - ii. Knowledge of occurrence
    - iii. Inadvertent non-disclosure
  - f. While it was a different pool, the county's history with pool insurance has not been good having been received large assessments from the last pool of which it was a member.
3. Having determined that the pool insurance is not an option at this time, the bids for traditional insurance were evaluated to compare price, coverage and deductibles.
- a. **Griffin Insurance** offered two options of traditional insurance. Option 1 is a complete Travelers bid insuring both the county and schools. Option 2 is a split bid insuring the county departments with Travelers and the schools with Montgomery. Montgomery specializes in insuring school systems and offered a very attractive package for the schools. Travelers Insurance is an expert in public sector and the county has an excellent history with them.
    - i. Complete Travelers Bid
      - 1. Offers excellent coverage and deductibles.
      - 2. Local agent for claims handling.
      - 3. Pricing for a complete Travelers quote is prohibitive.
    - ii. Travelers/Montgomery Bid
      - 1. Offers excellent coverage and deductibles.
      - 2. Local agent for claims handling.
      - 3. Pricing is higher than the Surry bid but is lower than the complete Travelers bid.
  - b. **Surry Insurance** submitted a bid for all lines of coverage. Argonaut Insurance Company is an A rated company and is a leader in public sector insurance. The pricing is very competitively price but the deductibles are much higher than that of the Travelers/Montgomery bid. While it is acknowledged that there is an opportunity for savings with larger deductibles and that this should be a consideration in the future, there are no reserves established and the county is not positioned financially to take on the higher deductibles at this time. Additionally, there was not enough time to adequately evaluate what effect a program with such high deductibles would have on the county budget.

An evaluation of auto accidents for fiscal year 2010-11 using the deductible amounts proposed by Surry would have resulted in the county paying roughly \$97,000 in deductibles as opposed to the \$5,500 actually paid. Time did not allow for an evaluation of all deductible payments made on other types of insurance.

Surry does not have local representation.

- c. **AGA Insurance** submitted two bids for Property Insurance from traditional insurance companies in addition to the Local Government Insurance Pool. Hanover and Philadelphia Insurance companies both submitted bids for property coverage. Hanover is an A rated company and had the most competitive bid which is lower than the total of all other property bids. AGA has local claims representation.

**Conclusion:** Based on the analysis of bid information (spreadsheet attached), it was determined that the best way to award the bid for Property & Casualty insurance is listed below:

- County Departments – Travelers
  - Liability
  - Auto
  
- School Department – Montgomery
  - Liability
  - Auto
  - Property Coverage on Bus Garage
  
- County Departments & Schools – Hanover
  - All Property Excluding Bus Garage

The insurance was bound by 4:30 p.m. on June 30, 2011.

The worker's compensation program will be evaluated and a determination will be made as to whether to self-insure or fully insure the program prior to October 1, 2011.