



**DATE:** February 20, 2020

**TO:** Jay Reynolds, Chairman  
Finance Committee

**FROM:** Stephen Bowerman, SVP CFO/COO  
Midland Memorial Hospital

**RE:** Proposal for Insurance Policies

Lockton Companies, on behalf of Midland Memorial Hospital, solicited bids for various coverages for the district insurance policies including excess workers' compensation; property and business interruption; directors and officer's liability (including employment practices liability), crime, storage tank liability, helipad liability, network security and fiduciary liability. The most significant increase was in property and business income due recent losses from hail and windstorm damages.

**Overall Recap** – below is the overall premium summary for the policies:

Coverage	Carrier	Expiring Premium	New Premium
<b>Existing Policies:</b>			
Excess Workers Comp.	Star Insurance Company	\$101,617	\$95,679
Property & BI*	Zurich	\$255,207	\$319,000
D & O Primary and Excess Coverage	AWAC & Beazley	\$76,876	\$84,143
Crime Coverage	Allied World (AWAC)	\$8,253	\$8,501
Storage Tank Liability	ACE American (Chubb)	\$1,597	\$1,693
Helipad Liability	ACE Property & Casualty (Chubb)	\$3,340	\$3,340
Network Security	NAS Insurance Services	\$96,800	\$85,000
Fiduciary Liability	National Union (AIG)	\$5,620	\$6,090
Total policies		\$549,310	\$603,446

**Excess Workers Compensation:**

The renewal premium for the excess workers compensation coverage is being move from our current carrier, State National Insurance Company to Star Insurance Company. We are recommending increasing our deductible from \$400,000 to \$500,000 to lock a two-year rate guarantee rate.

**Property and Business Interruption Coverage:**

The proposal received from Zurich, reflects an overall increase in premium of \$63,793 or 25%. The renewal rate per \$100 values increased from \$.0329 (expiring rate) to \$.0389, with total insurable values increasing from \$776,605,090 to \$820,140,970. Lockton did reach out to other carriers in the market to solicit other proposals with AIG, Allianz, AXA XL, Chubb, CNA, Liberty Mutual, SOMPO and Travelers, however, the return proposals that came back were either declined by the carrier or not competitive with Zurich.

Due to losses experienced in the market from hail and windstorms, Zurich's quoted renewal includes an increase in our deductibles for hail and windstorm losses from the expiring deductible of \$100,000 to \$2,000,000 per location (we have twenty different locations). Lockton is working on obtaining quotes for re-insurance to buy down the deductibles from the \$2,000,000 per location to contemplated options of \$250,000 or \$500,000 deductibles across the organization for the different locations. We do not have the final quotes back yet, but estimates are that the premiums for this coverage could range from \$190,000 to \$350,000.

**D & O Primary and Excess Coverage:**

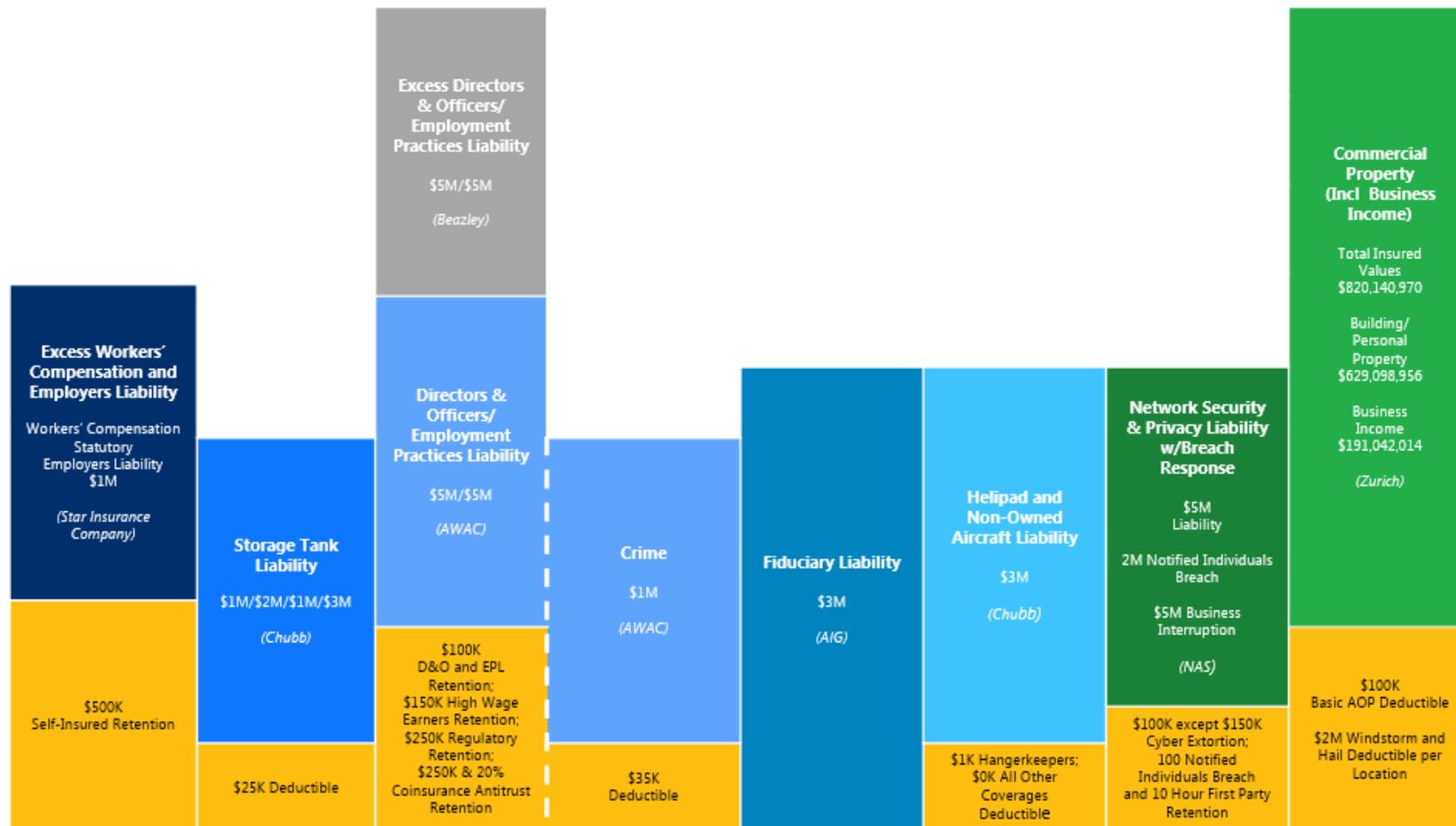
We are recommending continuing our primary D & O coverage with Allied Word. The expiring Excess D & O coverage was with OneBeacon and we are recommending moving to Beazley for enhancements in excess Antitrust coverages; overall the change in both these line of coverages from the expiring premiums to the renewal premiums is \$7,267 or 9.5%.

**Network Security:**

Lloyd's (Beazley) quoted a renewal premium of \$100,000 with the \$3,000,000 limit. We are recommending moving to NAS Insurance Services for a quoted premium of \$85,000, with a \$5,000,000 limit, which raises our current coverage limit by \$2,000,000, with the same deductible of \$100,000, thus saving us \$11,800 in premiums.

**Lockton Fees based on coverage** – Lockton is a partner with Southwest Insurance Services (SWIS). All fees are share with SWIS at 50%. Prior year's fee was \$38,281; the current year fee is \$45,000.

# Program Chart (3/1/20-21) - Midland Memorial Hospital



\*Not to Scale

Lockton Companies |