Finance Committee Meeting Virtual/Teleconference- 2/9/2021- 1:20 PM

FINANCE

1. Request to approve Augusta Commercial Property Insurance coverage for 2021 offered through Affiliated FM, current carrier, for a premium of $584,984 for full blanket coverage and limited flood coverage in flood prone areas. Attachments

2. Motion to approve the minutes of the Finance Committee held on March 10, 2020. Attachments

3. Approve Excess Workers' Compensation Insurance with Statutory limits and a $1,000,000 Self Insured Retention (SIR – otherwise known as the deductible) to cover all positions for a premium of $349,048. Safety National – Incumbent Attachments

Finance Committee Meeting
2/9/2021 1:20 PM
2021 Augusta Commercial Property Insurance Renewal

Department:	Finance - Risk Management
Presenter:	Andy Oates - Donna Williams
Caption:	Request to approve Augusta Commercial Property Insurance coverage for 2021 offered through Affiliated FM, current carrier, for a premium of $584,984 for full blanket coverage and limited flood coverage in flood prone areas.
Background:	Augusta has elected to use Property Insurance Broker Services and carry commercial property insurance on its properties since consolidation. The Risk Management Office staff inspects all Augusta properties annually and works with insurance company engineers in helping to reduce risk of property loss to Augusta.
Analysis:	Dawson & Taylor Insurance Company seeks annual quotes from the insurance market for "all risks" coverage on buildings and contents. Please see attachments for quote summary and list of declinations. Several insurers did not qualify or declined to quote coverage. Quotes are obtained from companies with A or better rating. Affiliated FM is the low bidder and is providing the greatest level of coverage for the exposure. Current coverage carries a $50,000 deductible per occurrence except for flood and earthquake
Financial Impact:	A premium for blanket coverage is being offered on total property values of $736,947,250 for $584,984 with a $50,000 deductible. The quote from Affiliated FM includes flood coverage.
Alternatives:	1. Drop coverage and retain risk, 2. Reduce premiums by only insuring those properties representing the largest losses should an event damage the structures (Municipal Building, Law Enforcement Center, Judicial Center, RCCI, etc.)
Recommendation:	

	Approve Commercial Property Insurance coverage renewal for 2021 through Affiliated FM for a premium of $584,984 which includes flood coverage and Boiler & Maintenance coverage. Effective March 1, 2021 - March 1, 2022
Funds are Available in the Following Accounts:	611 015212 Risk Management General Insurance Fund Account

REVIEWED AND APPROVED BY:

Finance.
Law.
Administrator.
Clerk of Commission

Augusta-Richmond County

Prepared by Dawson, Taylor & Company

Coverage & Premium Comparison

Affiliated FM		**Premium**
Total Insured Value	$736,947,250	$584,984 Full Blanket All Risk
Boiler & Machinery	$736,947,250	
Flood	$ 50,000,000	Included
Flood Tier 1	$ 5,000,000	Included
Earthquake	$100,000,000	Included
Terrorism		Included
Engineering Fee		Included
Deductible	$50,000	

Travelers		
Total Insured Value	$736,947,250	$739,149 Limited Blanket
Boiler & Machinery	$50,000,000 Included	
Flood	$ 0	Not Offered
Earthquake	$ 50,000,000	Included
Terrorism	$10,000	Included
Deductible	$50,000	

NOTE:
Earthquake deductibles are $100,000

02/02/2021

Finance Committee Meeting
2/9/2021 1:20 PM
Minutes

Department:

Presenter:

Caption: Motion to approve the minutes of the Finance Committee held on March 10, 2020.

Background:

Analysis:

Financial Impact:

Alternatives:

Recommendation:

Funds are Available in the Following Accounts:

REVIEWED AND APPROVED BY:

AUGUSTA GEORGIA

Finance Committee Meeting Commission Chamber - 3/10/2020

ATTENDANCE:

Present: Hon. Hardie Davis, Jr., Mayor; Fennoy, Chairman; D. Williams, Vice Chairman; M. Williams, member.
Absent: Hon. Frantom, member.

FINANCE

1. Request to approve month to month agreement for WC TPA services for the month of February 2020.

Item Action: Approved

Motions

Motion Type	Motion Text	Made By	Seconded By	Motion Result
Approve	Motion to approve.	Commissioner Marion Williams	Commissioner Dennis Williams	Passes

2. Update from Finance Dept. regarding Link Deposit Funds. **(Requested by Commissioner Marion Williams)**

Item Action: Approved

Motions

Motion Type	Motion Text	Made By	Seconded By	Motion Result
Approve	Motion to approve receiving this item as information. Motion Passes 3-0.	Commissioner Dennis Williams	Commissioner Marion Williams	Passes

3. Motion to approve the minutes of the Finance Committee held on February 25, 2020.

Item Action: Approved

Motions

Motion Type	Motion Text	Made By	Seconded By	Motion Result
Approve	Motion to approve.	Commissioner Dennis Williams	Commissioner Marion Williams	Passes

4. Request approval to transfer funds from salary line item 101021112/5111110 to 101021112/5239112 to continue to contract labor line; once the employee returns from worker's compensation leave funds will be returned to salary line item.

Item Action: Approved

Motions

Motion Type	Motion Text	Made By	Seconded By	Motion Result
Approve	Motion to approve. Motion Passes 3-0.	Commissioner Dennis Williams	Commissioner William Fennoy	Passes

5. Receive updated 2019 report from Finance Dept. regarding overtime payouts for employees in the Augusta Utilities Department in accordance with Commission's direction at the March 3 Commission meeting. **(Requested by Commissioner Marion Williams)**

Item Action: Approved

Motions

Motion Type	Motion Text	Made By	Seconded By	Motion Result
Approve	Motion to approve receiving this item as information. Motion Passes 3-0.	Commissioner Dennis Williams	Commissioner William Fennoy	Passes

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Finance Committee Meeting
2/9/2021 1:20 PM
Renewal of Excess Worker's Compensation Insurance

Department:	Finance - Risk Management
Presenter:	Gallagher Consulting, Finance
Caption:	Approve Excess Workers' Compensation Insurance with Statutory limits and a $1,000,000 Self Insured Retention (SIR – otherwise known as the deductible) to cover all positions for a premium of $349,048. Safety National – Incumbent
Background:	Excess Workers Compensation coverage (a per occurrence policy) has been purchased in the past as a measure to cap any potential catastrophic loss against Augusta-Richmond County. Knowing that this area if the industry is still quite volatile and premiums continue to rise, Corvel, our Workers' Compensation Third Party Administrator, was requested to obtain quotes from A or A+ companies.
Analysis:	Corvel received the following quotes: 1. Safety National Casualty Corporation – Incumbent a. Statutory Limit with $1,000,000 SIR to cover all positions for a deposit premium of $349,048 OR b. Statutory Limit with $1,500,000 SIR to cover all positions for a deposit premium of $295,479 OR c. Statutory Limit with $750,000 SIR + $250,000 Corridor for deposit premium of $449,278 2. Chubb a. Statutory Limit with $1,500,000 SIR to cover all positions for a deposit premium of $400,000+ 3. Arch a. Statutory Limit with $1,000,000 SIR to cover all positions for a deposit premium of $470,000+ 4. MidWest Employers a. Declined to quote
Financial Impact:	Augusta would assume all financial responsibility up to the SIR limit of $1,000,000 for all positions per occurrence.
Alternatives:	Not recommended,1) Drop coverage accepting full exposure/cost for any catastrophic job related injury or 2) pay a substanially higher premium to buy down the level of exposure.

Recommendation: Approve coverage with Safety National Casualty – Incumbent with SIR of $1,000,000 for all positions with Statutory Limit for a deposit premium of $349,048.

Funds are Available in the Following Accounts: 621 01 5233 55.21110 WC/Risk Management

REVIEWED AND APPROVED BY:

Finance.
Law.
Administrator.
Clerk of Commission

Augusta-Richmond County

Excess Workers Compensation Proposal | 3.1.2021

Executive Summary

Arthur J Gallagher Risk Management Services, Inc.

Scott K. Thomason | Senior Vice President
Matt Simmons | Assistant Vice President

January 27, 2021

Gallagher

Insurance | Risk Management | Consulting

Item # 3

ajg.com

Introduction

Thank you for this opportunity to present your renewal proposal program options and recommendations for your property & casualty insurance policies. This Executive Summary is a shorter version of your proposal and is intended to summarize the highlights and point you to any decisions that need to be made prior to binding. We highlight each **CORE**360™ cost driver, beginning with Insurance Premiums and ending with Contractual Liability. This will not only organize the document but ensure that we are deliberate in driving value to each of your six cost drivers which represent your total cost of risk. It also follows the decisions made and action items we discussed in our Strategic Review; which serves as the basis for this proposal. We know that you have a choice and we appreciate your business and continued support.

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Core 360 Cost Driver Management:

Insurance Premiums	• Gallagher – Perform full marketing efforts, obtain various SIR options • Develop quality underwriting submission
Program Structure	• Explore higher retention options ($1m) to expand market options • Explore buffer layer options • Provide optional aggregate protection coverage
Coverage Gaps	• Ensure aviation and/or marine exposures are covered
Uninsured & Uninsurable Losses	• COVID-19 claims are not classified as workers compensation claims unless the state changes the presumption laws
Loss Prevention & Claims	• Gallagher will facilitate safety & risk management meetings • Claims reviews with the TPA should occur at least semi-annually
Contractual Liability	• Gallagher will continue to provide consultation on reviewing contracts and discussing insurance requirements for third parties.

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Gallagher Public Entity/K-12 Market Update

PROPERTY, INCLUDING BUILDERS RISK

The pricing of this coverage continues its upward trend with most insureds seeing double-digit premium increases (on average 18% to 22%), year over year. Public Entities (including K-12 schools) continue to utilize deductible increases and reductions in limits to offset premium and rate increases. We expect this trend to continue, and recent storms and CAT losses will continue to put pressure on this line. We have seen a large exodus of Builders Risk carriers from the market. Keep an eye out in this area.

GENERAL LIABILITY AND AUTO LIABILITY

These lines continue to see upward premium pressures. Certain areas are experiencing more pressure than others, such as:

- Public Entities that purchase higher or Excess Liability limits.
- Entities with losses, which may find it difficult to purchase coverage at any price.
- Many insureds that have had to cut limits while paying the same or even higher premiums.
- Sexual Abuse and Molestation coverage continues to be the hardest hit; limits are almost unavailable at any price. Strong risk management policies and procedures must be in place to purchase this coverage. This trend is rolling across the country.

WORKER'S COMPENSATION

While this is currently the line of coverage with the least upward pressure, expect changes to come as covered COVID-19 claims increase. Laws extending the presumption of coverage continue to develop across the states. Excess Rate increases are starting to exceed 5% or more; and adverse accounts over 10%

CYBER LIABILITY

We believe that this coverage will see the most upward pressure in the near future. With many, many schools providing distance learning, and Public Entities continuing to offer remote working, losses are bound to happen. We have already seen more than $1 Million+ claims turned in since schools resumed fall classes. Expect increases here.

CRISIS RESILIENCE COVERAGE AND CONSULTING SERVICES

This continues to be of high interest to Public Entities; there are good alternatives available.

COMMUNICABLE DISEASE EXCLUSIONS

Because most Public Sector clients renewed early in 2020 before COVID-19 was fully realized, we have not seen significant changes in exclusions. We expect to see those types of exclusions on Property, Liability, and Worker's Compensation (as applicable) lines for renewals moving forward.

Conclusion SPECIAL NOTE OF INTEREST – Cost pressure in the PUBLIC sector

As Public Entities and K-12 schools continue to work through the current economic and pandemic environment, many are facing 20% to 30% revenue reductions with no backstop in place. COVID-19 has increased operating expenses overall, and especially for K-12 schools. Public Entities of all type and size are desperately seeking cost reductions and seriously slashing budgets. It is more important than ever for Entities to focus on their total cost of risk and not just the line item of insurance costs.

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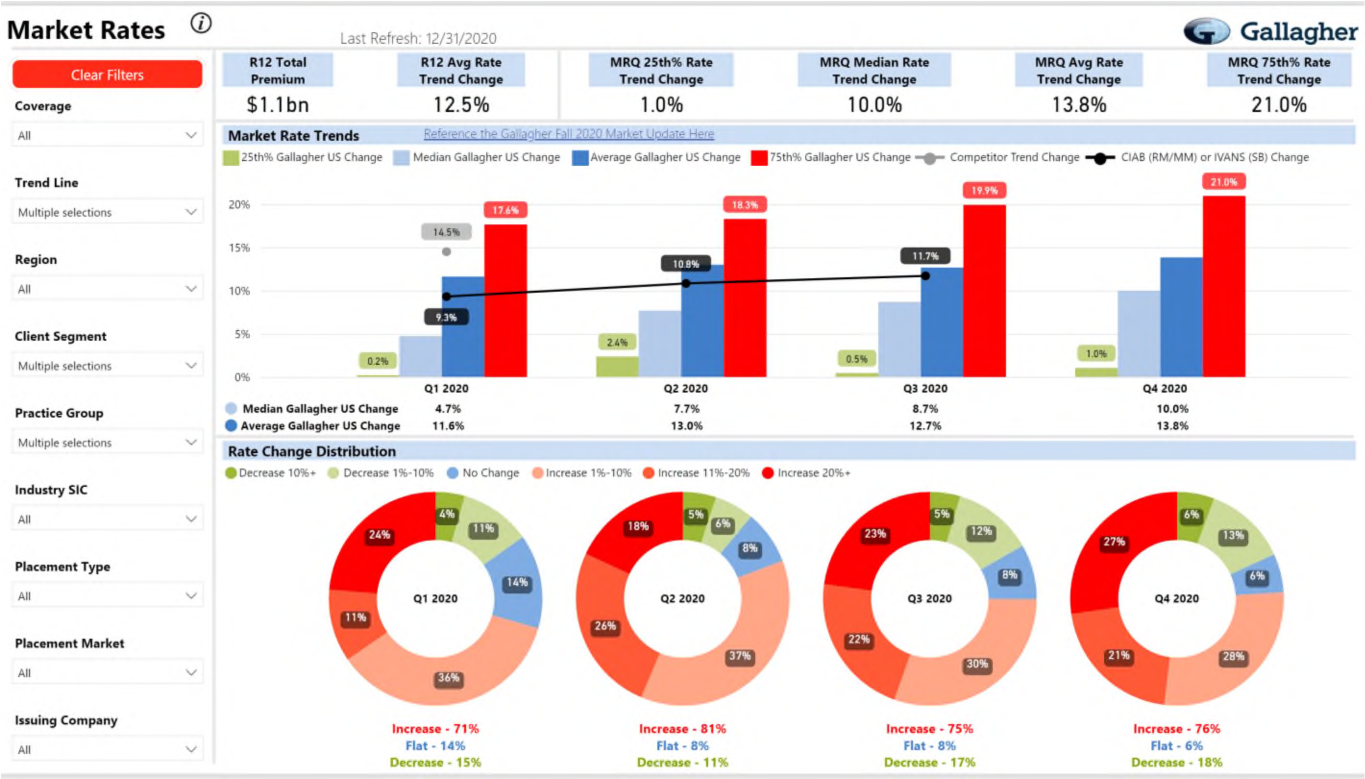
Gallagher Drive Insights

Public Entity & Education Sector – 4th Quarter 2020



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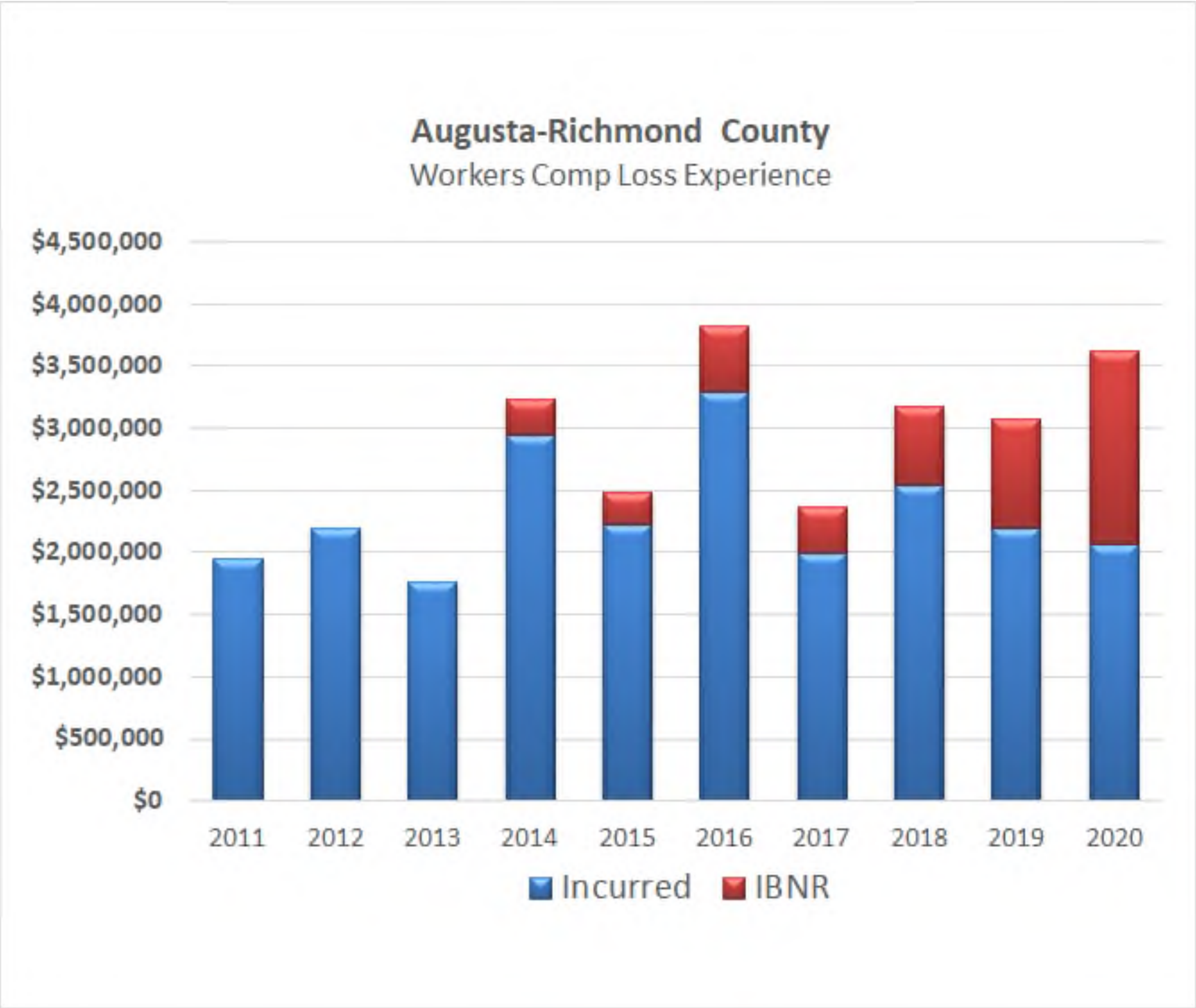
Your Loss Experience

We have promulgated loss projections using various Gallagher, actuarial driven, and industry driven benchmarks. Our forecast starts with developing a quality loss summary. And with long-tail workers compensation claims, the claims trend upward if open and can spike years later. We use industry factors to create an IBNR (Incurred But Not Reported) to show net ultimate loss projections.



Marketing Results

We approached all active public sector excess markets and the results are as follows:

Excess Workers Compensation Markets

Market	Self-Insured Retention	Premium Indicated/Quoted	Result Summary
Safety National	$750k + $250k Corridor	$380,979	Expiring Program
Safety National (Incumbent)	$750k + $250k Corridor	$449,278	Most Competitive Carrier at expiring terms
Safety National	$1,000,000	$349,048	Recommended Program
Safety National	$1,500,000	$295,479	Optional Program
Midwest Employers			Declined to quote due to unfavorable loss experience
Arch	$1,000,000	$470,000+	Indication only
Chubb	$1,500,000	$400,000+	Indication only

Buffer Layer Workers Compensation Markets

Market	Self-Insured Retention	Premium Indicated/Quoted	Result Summary
Frontegra Insurance	$250k xs $750k	$81,113	Recommended Option
Frontegra Insurance	$500k xs $500k	$283,461	Quoted
BRIT	$250k xs $750k	$179,500	Quoted
Gray Insurance Co.	$150k xs $850k	$88,366	Quoted

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Insurance Program Comparison

Augusta-Richmond County			
Policy Effective Date:	3/1/2021	Broker:	Matt Simmons
Policy Expiration Date:	3/1/2022	Issue Date:	1/27/2021

Program Overview	Expiring	Option 1	Option 2	Option 3	Option 4
Excess Workers Compensation					
Carrier	Safety National	Safety National	Safety National	Safety National	Safety National
AM Best Rating	A++, XV	A++, XV	A++, XV	A++, XV	A++, XV
Estimated Payroll	$111,822,640	$113,253,745	$113,253,745	$113,253,745	$113,253,745
Minimum Premium	90%	90%	90%	90%	90%
Policy Term	1 Year	1 Year	1 Year	1 Year	1 Year
Buffer Layer					
Carrier				Fortegra Ins	Gray Insurance
AM Best Rating				A-, VIII	A-, VIII
Estimated Payroll				$113,253,745	$113,253,745
Minimum Premium				90%	90%
Policy Term				1 Year	1 Year

Coverage Details					
Excess Workers Comp					
Workers Comp Limit	Statutory	Statutory	Statutory	Statutory	Statutory
Employers Liability Limit	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000
Self-Insured Retention (SIR)	$750,000	$750,000	$1,000,000	$1,000,000	$1,000,000
Police/Fire SIRs	$750,000	$750,000	$1,000,000	$1,000,000	$1,000,000
Corridor Deductible	$250,000	$250,000	None	None	None
Aggregate Limit	None	None	None	None	None
Buffer Layer					
Workers Comp Limit				$250,000	$150,000
Self-Insured Retention (SIR)				$750,000	$850,000

Premium+ Details					
Excess Workers Comp					
Annual (Deposit) Premium	$380,979	$449,278	$349,048	$349,048	$349,048
Payroll Basis	*Estimated*	*Estimated*	*Estimated*	*Estimated*	*Estimated*
Buffer Layer					
Annual (Deposit) Premium				$81,113	$88,366
Payroll Basis				*Estimated*	*Estimated*
Risk Management Services					
Risk Mgmt Fee	N/A	N/A	N/A	N/A	N/A
Total Premium+	**$380,979**	**$449,278**	**$349,048**	**$430,161**	**$437,414**
Net Rate Change		17.9%	-8.4%	12.9%	14.8%

10 Year Annual Average					
Ground up Loss Projection	$2,769,034	$2,769,034	$2,769,034	$2,769,034	$2,769,034
Projected Excess Losses	-$44,967	-$44,967	-$7,301	-$52,268	-$23,426
Total Cost of Risk	**$3,105,046**	**$3,173,345**	**$3,110,781**	**$3,146,927**	**$3,183,022**
Net TCOR Change		2.2%	0.2%	1.3%	2.5%

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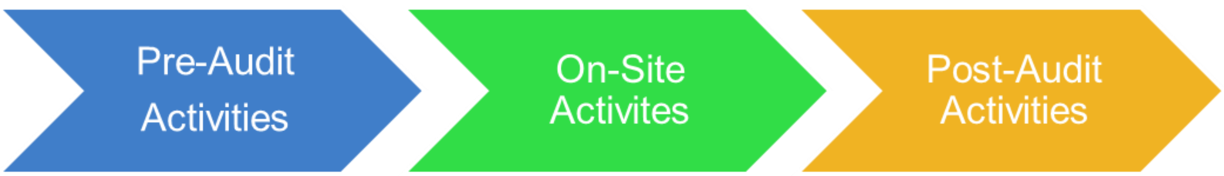
Loss Prevention & Claims

Gallagher National Risk Control Resources

Our national risk control team will enhance your safety program and reduce your overall total cost of risk. Safety standards are continually evolving to meet industry demands and best practices. Gallagher offers a full range of training services to ensure your staff has the training to be legally compliant and to ensure that they have the knowledge to work safely and employ best practices in their daily activities.

Our team consists of over 100 safety, property and risk control professionals with in-depth knowledge of the current and emerging regulations, safety and health management programs, and a hierarchy-based approach to your operational risks and exposures. The team has extensive qualifications implementing risk improvement strategies that positively influence the total cost of risk. This is accomplished with a keen focus on human behaviors, fleet safety, property protection, appropriate employee and supervisor training, as well as education and accountability programs.

Gallagher GAP Analysis



Pre-Audit Activities

- Select Departments & Schedule Audits
- Determine who will be particiapting in the audit
- Request resources needed for pre-audit

On-Site Activites

- Program Reviews
- Evaluate written policies & observe the team's culture (work practices and procedures)
- Develop risk scores and gap analysis reports

Post-Audit Activities

- Meet and discuss general observations
- Review key findings
- Issue final report to risk manager / safety coordinator
- Assist with implementation and incorporation of best practices and recommendations to reduce your liabilty and risk

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CORE360™ Executive Summary Scorecard

Your **CORE**360™ Executive Summary Scorecard has been developed for you to get a quick snapshot of how we have influenced your total cost of risk for the policies detailed in this proposal:

Insurance Premiums	• City - Review class codes and payroll projections • Gallagher – Perform full marketing efforts, obtain various SIR options • Develop quality underwriting submission
Program Structure	• Explore higher retention options ($1m) to expand market options • Explore buffer layer options • Obtain large loss summary updates (Over $250k)
Coverage Gaps	• Review coverage considerations and endorsements • Ensure aviation and/or marine exposures are covered • Discuss Off-Duty Law Enforcement exposures and Gallagher program
Uninsured & Uninsurable Losses	• Active shooter, liability, reputational risks and soft costs not insured • COVID-19 claims are not classified as workers compensation claims unless the state changes the presumption laws
Loss Prevention & Claims	• Gallagher will facilitate safety & risk management meetings • Gallagher will provide online safety training software and resources • Claims reviews with the TPA should occur at least semi-annually
Contractual Liability	• Review contracts as needed for compliance and proper insurance requirements

Gallagher

Thank You for Your Business

THE GALLAGHER WAY

1. WE ARE A SALES AND MARKETING COMPANY DEDICATED TO PROVIDING EXCELLENCE IN RISK MANAGEMENT SERVICES TO OUR CLIENTS. **2.** WE SUPPORT ONE ANOTHER. WE BELIEVE IN ONE ANOTHER. WE ACKNOWLEDGE AND RESPECT THE ABILITY OF ONE ANOTHER. **3.** WE PUSH FOR PROFESSIONAL EXCELLENCE. **4.** WE CAN ALL IMPROVE AND LEARN FROM ONE ANOTHER. **5.** THERE ARE NO SECOND-CLASS CITIZENS, EVERYONE IS IMPORTANT AND EVERYONE'S JOB IS IMPORTANT. **6.** WE'RE AN OPEN SOCIETY. **7.** EMPATHY FOR A PERSON IS NOT A WEAKNESS. **8.** SUSPICION BREEDS MORE SUSPICION. TO TRUST AND BE TRUSTED IS VITAL. **9.** LEADERS NEED FOLLOWERS. HOW LEADERS TREAT FOLLOWERS HAS A DIRECT IMPACT ON THE EFFECTIVENESS OF THE LEADER. **10.** INTERPERSONAL BUSINESS RELATIONSHIPS SHOULD BE BUILT. **11.** WE ALL NEED ONE ANOTHER. WE ARE ALL COGS IN A WHEEL. **12.** NO DEPARTMENT OR PERSON IS AN ISLAND. **13.** PROFESSIONAL COURTESY IS EXPECTED. **14.** NEVER ASK SOMEONE TO DO SOMETHING YOU WOULDN'T DO YOURSELF. **15.** I CONSIDER MYSELF SUPPORT FOR OUR SALES AND MARKETING. WE CAN'T MAKE THINGS HAPPEN WITHOUT EACH OTHER. WE ARE A TEAM. **16.** LOYALTY AND RESPECT ARE EARNED — NOT DICTATED. **17.** FEAR IS A TURNOFF. **18.** PEOPLE SKILLS ARE VERY IMPORTANT AT ARTHUR J. GALLAGHER & CO. **19.** WE'RE A VERY COMPETITIVE AND AGGRESSIVE COMPANY. **20.** WE RUN TO PROBLEMS — NOT AWAY FROM THEM. **21.** WE ADHERE TO THE HIGHEST STANDARDS OF MORAL AND ETHICAL BEHAVIOR. **22.** PEOPLE WORK HARDER AND ARE MORE EFFECTIVE WHEN THEY'RE TURNED ON — NOT TURNED OFF. **23.** WE ARE A WARM CLOSE COMPANY. THIS IS A STRENGTH — NOT A WEAKNESS. **24.** WE MUST CONTINUE BUILDING A PROFESSIONAL COMPANY—TOGETHER — AS A TEAM. **25.** SHARED VALUES CAN BE ALTERED WITH CIRCUMSTANCES, BUT CAREFULLY AND WITH TACT AND CONSIDERATION FOR ONE ANOTHER'S NEEDS.

Legal Disclaimer

Gallagher provides insurance and risk management advice that is tailored to our clients' risk transfer needs. Our review can include evaluation of insurance premium, risk transfer options, finance agreements, insurance limits, indemnification obligations, and contracts to ascertain appropriate coverage. We do emphasize that any risk management advice, insurance analysis, and limited review of contract terms and conditions, is only provided from an insurance/risk management perspective and is NOT legal advice. We do not provide legal advice and always recommend that our clients seek advice from legal counsel to become fully apprised of all legal implications from their business transactions.

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