

Financial Affairs
George M. Burgess, Chief Financial Officer

**SUBJECT: RENEWAL OF SPECIFIC EXCESS WORKERS' COMPENSATION
COVERAGE**

COMMITTEE: BUSINESS AND FINANCIAL SERVICES

At the Board meeting of June 19, 2002 authorization was received to renew the Board's specific excess workers' compensation coverage with Wexford Underwriters/Continental Casualty Company (CNA), A.M. Best A XV, through Arthur J. Gallagher & Co. The premium increase for this renewal was steep. The premium for existing coverage with a per occurrence self insured retention (SIR) of \$500,000 increased from \$320,703, which was the audited premium for policy period July 1, 2001 to June 30, 2002, to the present program, which had a deposit premium of \$1,870,823, subject to audit of actual payrolls for the period July 1, 2002 through June 30, 2003.

In November, 2002, an article on the state of the excess workers' compensation insurance market reported the following:

the excess workers' compensation market has firmed dramatically and continues in that direction. Underwriters of this coverage are more conservative in pricing, retention, and type of risk. Poor underwriting results, the cost of reinsurance and the decline in the number of markets writing this line of coverage contribute to the increased pricing. From a pricing standpoint, premium increases are prevalent, regardless of experience or risk. Factors such as low retention, high risk exposure, or adverse loss experience lead to a greater impact on the rate.

Staff is currently reviewing the renewal terms for our excess workers' compensation coverage, including the option of increasing the Board's SIR from its present level of \$500,000 per occurrence to \$750,000 per occurrence. The information, which actuarially will help to determine whether the Board should assume more risk through an increase in its SIR, will be available from the Board's casualty actuary early in June.

A complete agenda, including recommendations for renewal terms, SIR, premiums, terms and conditions will be provided to the Board no later than June 13, 2003.

GMB:sc