

Four Seasons of a Property & Casualty Renewal



### **Property & Casualty Team**



Clay Austin Director, Insurance Member Services caustin@flcities.com



**Tom Conley** Account Executive *tconley@flcities.com* 



Mike Morrill Account Executive mmorrill@flcities.com



Lyndsey Johannesen Account Executive Ijohannesen@flcities.com

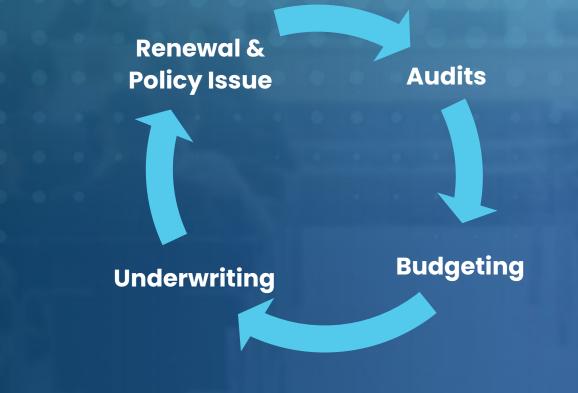


**Tyler Denahan** Account Executive tdenahan@flcities.com



#### **Purpose:** Understanding The FMIT Calendar Year

Timeline from the FMIT's perspective for the 'when' and 'why' of the renewal process





## First Season: Audits

**October - January** 

- Each year, your City's workers comp policy is audited to "true up" the projected payrolls you provided back in June to the actual payrolls now that the year has ended.
- FMIT uses third-party audit firms. The auditor may move a particular employee's payroll to a more appropriate class code based on their duties or title.
- Changes to property & auto schedules made between 6/1 10/1 are also captured at audit.
- Refunds/invoices are typically issued around March.



#### Audit Example

WC Payroll Class Code	FY 23/24 Estimated Payroll	FY 23/24 Rate per \$100 Payroll	FY 23/24 Renewal Manual Premium Paid	FY 23/24 Actual Payroll	FY 23/24 Manual Premium based on Actual Payroll	Difference
5509	\$35,000	\$8.51	\$2,979	\$27,480	\$2,339	\$(640)
8810	\$56,160	\$0.15	\$84	\$44,827	\$67	\$(17)
8820	\$15,000	\$0.11	\$17	\$21,600	\$24	\$7

Total	\$106,160		\$3,079	\$93,907	\$2,430	\$(650)	Balance due to Member
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Estimated Payroll collected in May of 2023

Audited Payroll collected in October - December 2024



#### Second Season: Budgeting

February - May

- What are the factors involved in predicting premiums?
- Brief overview of market
- Rate, exposure, experience
- Property: Not experience rated but based on exposure and largely global property insurance market rates for Florida commercial risks
- Details on CAT modeling what metrics do we use to understand geographic risk
- Liability
- Auto in FL GL/PL Sovereign Immunity Update WC, double-checking class codes



#### **Insurance Budgeting Basics**

- Three elements considered for your premiums:
  - **Exposure Changes:** Exposure is the rating basis and differs by line of coverage
    - Payroll (\$): GL, E&O, Cyber, Workers Compensation
    - LEOs (#): Law Enforcement Liability
    - ▶ **Autos:** AL (#) and APD (\$)
    - Property (\$): Values of covered property
  - Rate Changes: Determined by the Board annually (June), this rate per unit of exposure is proposed by an independent actuary and applies consistently across all Members
  - Experience: Calculated factor by Member used to understand whether losses are running better/worse than expected. Protections are in place within the calculations to limit the impact of severe "shock loss" claims.



- Underwriting requests updated exposure information:
  - The underwriting team begins preparing insurance policies for the upcoming year in May. It is essential to submit your renewal information in a timely manner to ensure a timely renewal.
- May 1 is a good time to reach out to HR and Finance if you are not in one of those divisions and ask for:
  - Projected payrolls/new hires/department changes understand payroll changes especially for police/fire/public works/parks and recreation
  - Auto changes by department
  - New buildings or property acquired or plans to acquire/renovate/occupy



- Depending on the size of your city, you may know all of the assets the city has, or you may have several people/departments/divisions that are responsible for maintaining assets/schedules. To be the best steward of city resources, it is best practice to have a process in place annually to review what assets are still owned/maintained by the city and which ones have been sold/retired.
  - a) Fleet services may have autos/inland marine
  - b) Public works may have building schedule additions/deletions



- NCCI Experience Modification Factor
  - Workers Compensation is a key coverage to provide care/compensation for your injured workers
  - The National Council on Compensation Insurance (or NCCI) is an independent organization that calculates loss experience modification factors ("Mod") by Member.
  - Your Mod is published each year around May, based on your three-year losses as of March 31. This NCCI Mod will be used as one of the factors to calculate your premiums for the upcoming year.
  - Understanding your Mod and the change from one year to the next will help you budget. An enhanced focus on your Mod will have a direct impact on your premiums, including employee health and safety culture and effective return-to-work programs.



- Property Appraisals / Asset Surveys
  - Have you recently had an appraisal or asset survey?
  - Were the updated values already endorsed onto your policy or are the value changes effective October 1?
  - Was the appraisal reviewed with all responsible departments?
  - Is there general agreement to add any newly identified assets that aren't currently covered?
  - Specific to new assets, has an insurance decision been made and communicated prior to June 1 (the start of hurricane season)?
  - Did you include the premium-impact in your budget for the next fiscal year?



# Fourth Season: Renewal & Policy Issuing

Sept - Nov

- October 1 renewal and the start of the new fiscal/policy year. FMIT representatives attend commission meetings or city management/staff to secure continued coverage.
- Obtain updated Certificates of Insurance (COI's)
- First Installment Payments due
- Policies made accessible on FMIT dashboard typically in early November
- Set expectations for the year ahead. Claims reviews, policy reviews, policy changes, schedule appraisal



# Property and Casualty QUESTIONS?