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Date: May 8, 2015

**TO: MEMBERS, BOARD OF DIRECTORS**

<b>I. AGENDA ITEM # AND TITLE :</b>	Open Agenda Item 3c – Consent Calendar: Renewal of Expiring 3 <sup>rd</sup> Quarter Insurance Policies
<b>II. NAME AND PROGRAM:</b>	Randy Hogan, Risk Management
<b>III. ACTIVITY:</b>	<input type="checkbox"/> Informational <input type="checkbox"/> Request for Direction <input checked="" type="checkbox"/> Action Proposed <input type="checkbox"/> Exploratory
<b>IV. JUSTIFICATION:</b>	<input checked="" type="checkbox"/> Standard/Required Item <input type="checkbox"/> Board Request – New Item <input type="checkbox"/> New Topic from Staff

**V. EXECUTIVE SUMMARY:**

State Fund’s current management liability insurance program is due for renewal on September 30, 2015. The expiring program consists of the following insurance lines: Directors and Officers (D&O), Employment Practices Liability (EPL), Crime, Insurance Company Errors and Omissions (E&O), Managed Care Errors and Omissions, and Cyber Liability.

Risk Management recommends that the President/CEO be authorized to secure a renewal program for 2015 at terms most favorable to State Fund.

**VI. ANALYSIS:**

The insurance policy renewals fulfill a prime Risk Management responsibility. The following table details the expiring management liability program:

Coverage	Limit	Retention	Premium
Employment Practices	\$10,000,000	\$500,000	\$135,208
Financial Inst. Bond ("Crime")	5,000,000	150,000	27,500
D&O - Side A	30,000,000	0	55,000
D&O - Sides B and C	20,000,000	500,000	270,800
Insurance Company E&O	10,000,000	1,000,000	645,315
Managed Care E&O	5,000,000	100,000	77,099
Cyber -- 1st Party	2,000,000	100,000	21,675
Cyber -- 3rd Party	30,000,000	500,000	213,750

Presently, market conditions for D&O and EPL, and to a lesser degree E&O, are hardening and it is expected that there will be some premium increase in these lines – likely 5-10%. Despite recent highly publicized events, the Cyber market remains relatively stable and a flat renewal is expected. At current levels of coverage, we anticipate a 2-3% increase in the total cost of the management liability package at renewal.

However, Risk Management is current reviewing limits and levels of retention to ensure alignment with State Fund’s Risk Tolerance and the risk appetite for Casualty and Liability Risk. As this program is relatively conservative, it is not expected that this review will result in a significant increase in coverage or cost.

**VII. RECOMMENDATION:**

To authorize staff to secure renewal of the September 2015 expiring policies at terms most favorable to State Fund.