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Date: May 5, 2017

**TO: MEMBERS, BOARD OF DIRECTORS**

<b>I. AGENDA ITEM # AND TITLE :</b>	Open Agenda Item 3g – Consent Calendar: Authorization to secure renewal of the September 2017 expiring 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, 2017. 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. Adjustments to the limits and coverages were made in 2016 and the current levels remain generally appropriate for State Fund’s risk profile, appetite, and tolerance. The renewals are not expected to change materially from expiring levels for any line of coverage.

Risk Management recommends that the President/CEO be authorized to secure a renewal program for 2017 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	\$135,398
Financial Inst. Bond (“Crime”)	5,000,000	150,000	33,077
D&O - Side A	30,000,000	0	39,000
D&O - Sides B and C	20,000,000	500,000	263,100
Insurance Company E&O	10,000,000	1,000,000	613,049

Managed Care E&O	5,000,000	100,000	73,244
Cyber – Combined 1 <sup>st</sup> & 3 <sup>rd</sup> Party	30,000,000	100,000	427,158
Public Officials Bond			160

State Fund's current contract for Insurance Broker Services expires May 31, 2017. Consistent with Enterprise Procurement policies, Risk Management initiated a Request For Proposal (RFP) for a new Broker Services contract. The RFP is currently in the selection stage of the process, and it is unclear at this time whether a new contract can be executed prior to the placement of renewals for the management liability lines.

A thorough review of the insurance program and a Total Cost of Risk analysis will be performed once the new Broker contract is in place, in preparation for developing a multi-year enterprise risk management strategy.

**VII. RECOMMENDATION:**

To authorize Risk Management to secure renewal of the September 2017 expiring policies at terms most favorable to State Fund.