



BOARD OF DIRECTORS MEETING

2020-21 Operational
Insurance Renewals

Presented by:

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Senior Vice President

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Objectives:

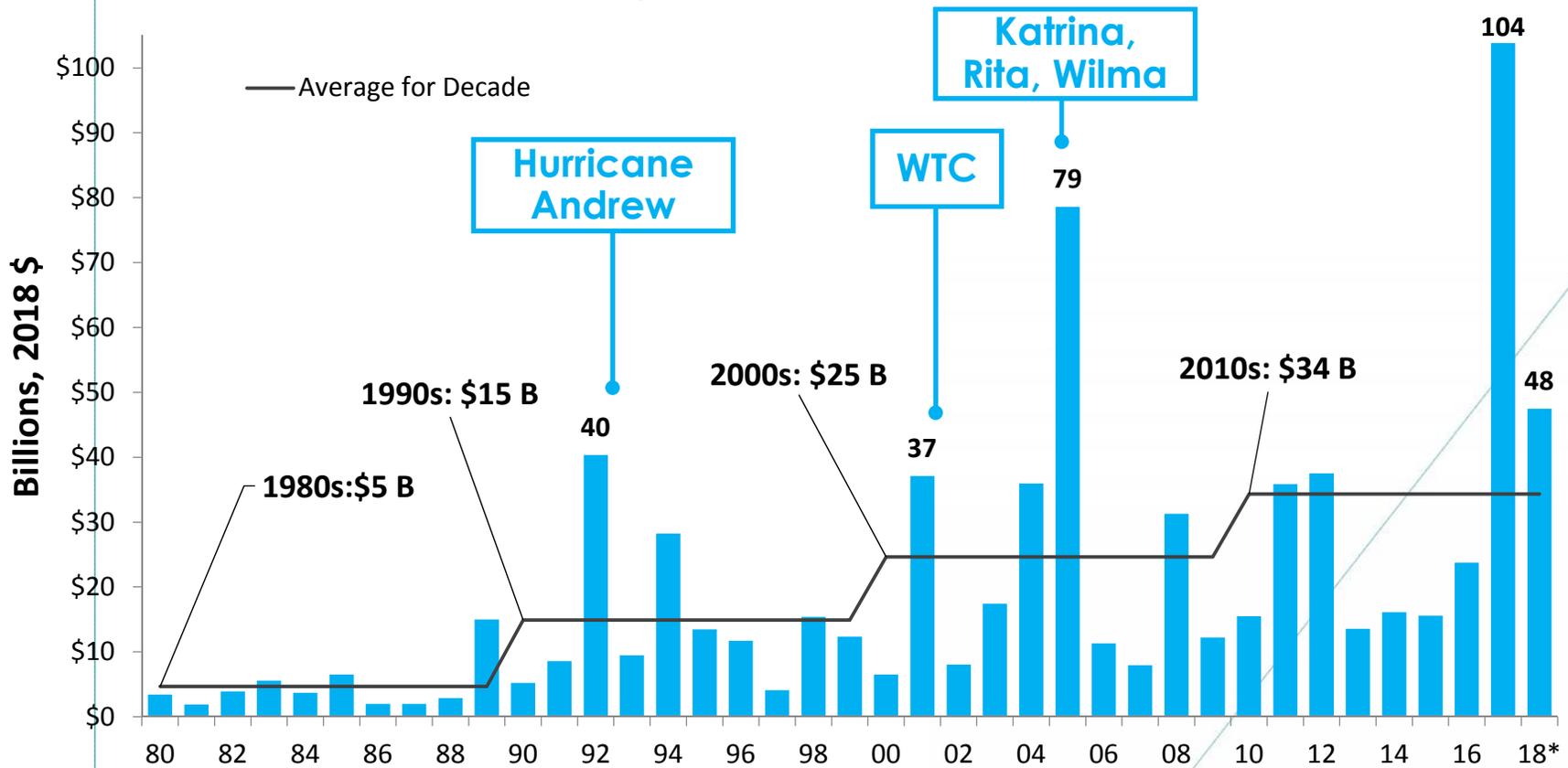
- Insurance Industry Highlights
- Key Concerns of Commercial Insurers
- OCSD Program
 - General Liability
 - Workers Compensation
 - Property
- Renewal Expectations
- Addressing OCSD Concerns

Insurance Industry Highlights

While Global insured losses from catastrophes in 2019 are estimated to be \$56 billion, which is down sharply from \$93 billion in 2018 and was well below the annual average of \$75 billion over the previous 10 years, and policy holder surplus (equity) is very strong on a historical basis...The industry has **significant concerns** going forward which is contributing to a very hard insurance market:

- Insurers' combined ratio **deteriorated** to 98.0% for the 3rd Qtr 2019 from 97.5% in the prior-year period.
- Private U.S. property/casualty insurers' **net income slipped** 0.2% to \$49.5 billion during the first 9 mos. of 2019.
- COVID-19 – Causing significant uncertainty
 - Potential Federal regulation of the industry. “PRIA”, or “worse”...?
- Catastrophic Losses have **not been adequately priced for** based on standard industry models :
 - **Property:** Weather extremes, hurricane, wildfires, earthquake, **sea level rise**, pandemic
 - **Liability:** Social inflation (i.e. runaway jury awards)
 - **General:** Investment Earnings. Economic meltdown
- **Carriers are focused on bottom line profitability, not top line growth**

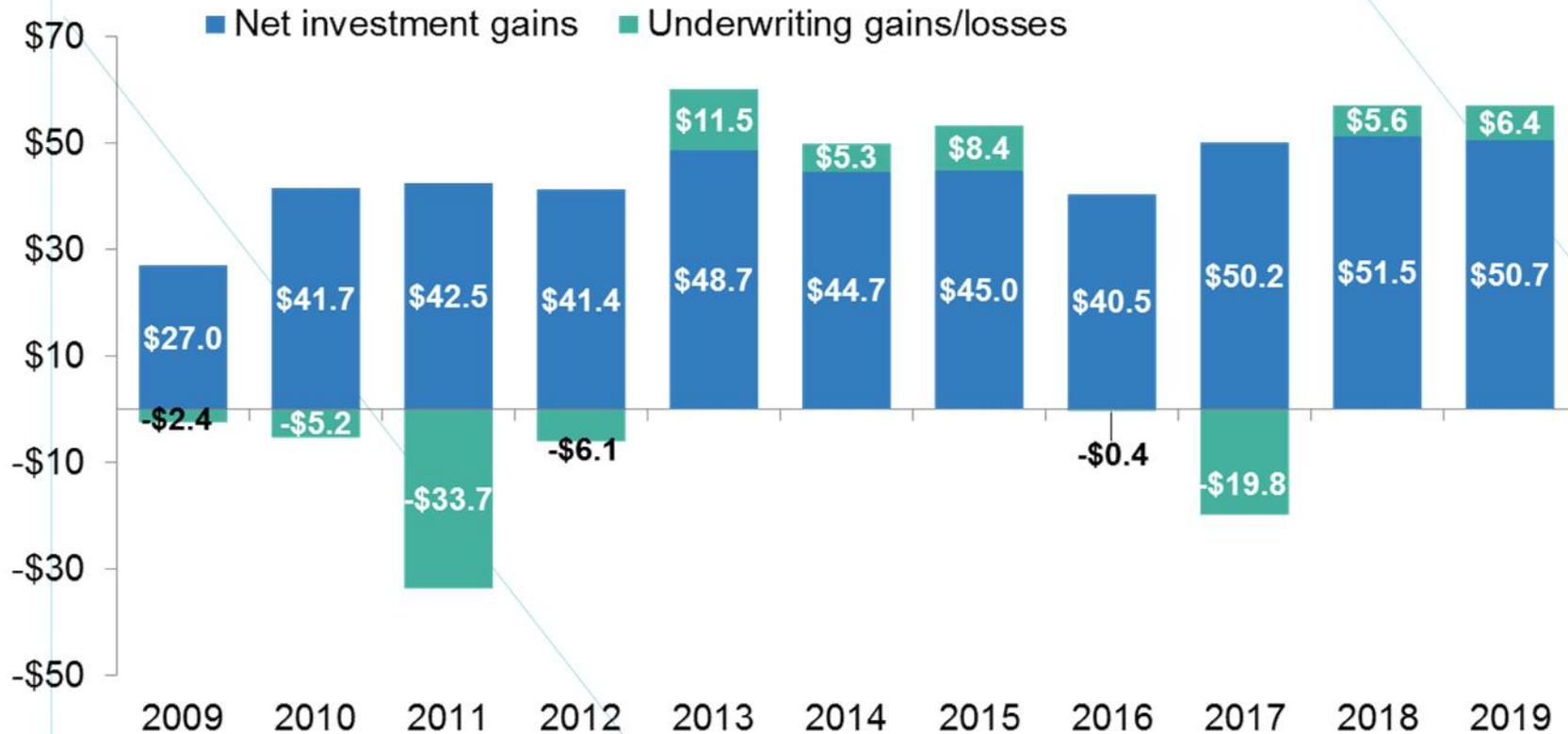
U.S. Inflation-Adjusted Insured Cat Losses



2018 – Third worst year for U.S. Insured Catastrophe Losses. Average Insured Loss per Year for 1980-2018 is \$19.3 B.

*2018: Inflation-adjusted estimate, subject to change. 2010s is average of 2010 to 2018. All losses are Direct. Sources: Property Claims Service, a Verisk Analytics business; Insurance Information Institute.

Key Sources of P/C Insurer Profits



COVID-19 – as of 4/16/20

Status

- 642,000 Cases in the U.S.
- 28,000 Deaths

Economic Devastation

- 22,000,000 Jobless Claims
- Estimate - \$340 billion of **small** business interruption a month
- Total Global Equity of Insurers: \$800BB as of Q3 2019

Key Concerns to Insurers:

- **Uncertainty**
- Potential Imposition of “retroactive” coverage
- *Moving Forward*
 - Potential imposition of a so called “PRIA” modelled on “TRIA”
 - “Pandemic Risk Insurance Act”

Impact	Insurance Lines
Highest:	Workers Comp
Moderate:	Liability, D&O
Lowest:	Auto, Property, BI

Wildfires



On average, more than 100,000 wildfires, also called wildland fires or forest fires, clear 4 million to 5 million acres of land in the U.S. every year. In recent years, wildfires have burned up to 9 million acres of land. Massive recent fires in Brazil and Australia continue the trend...

Hurricanes

Potential threats from hurricanes include powerful winds, heavy rainfall, storm surges, coastal and inland flooding, rip currents, tornadoes, and landslides.



**Hurricane Dorian
affecting Bahamas & Eastern Seaboard
September 2019**

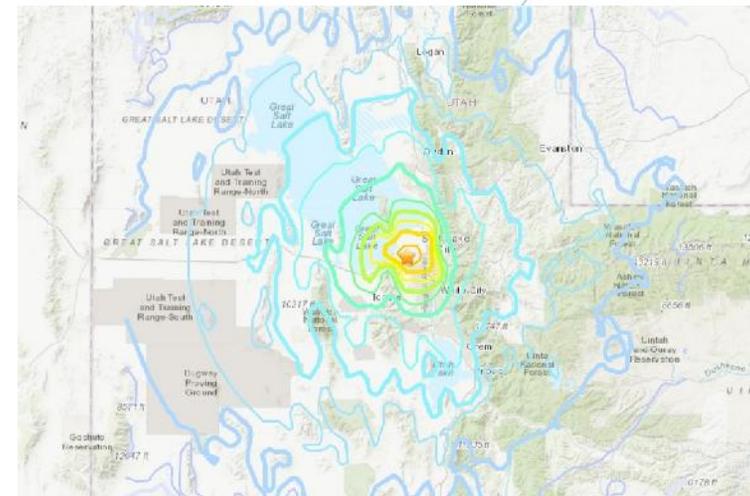
The Alaska Earthquake of Nov 30, 2018

A magnitude (M) 7.0 earthquake struck north of Anchorage, Alaska, on November 30, 2018.

Recent

**5.7 Quake in Salt Lake City, and
6.5 Quake in Idaho**

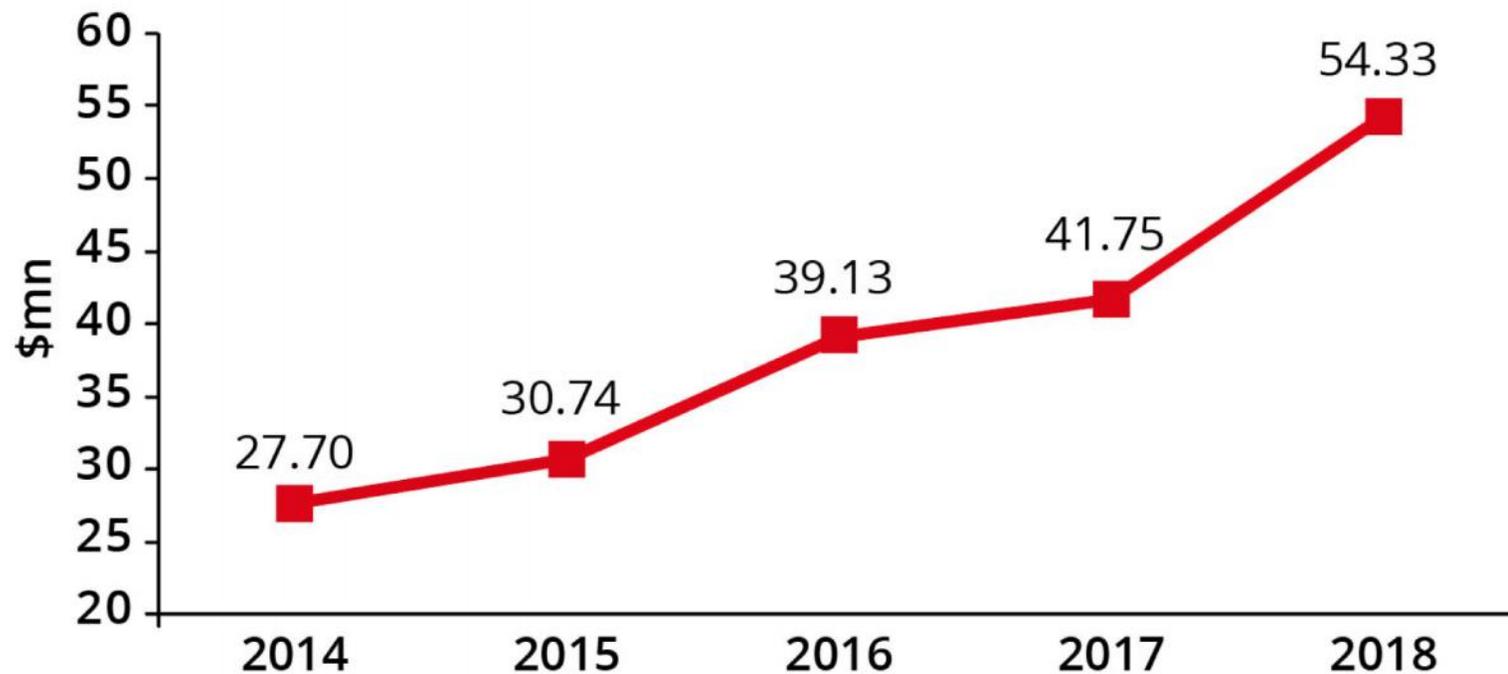
**Are serving as a “wake-up calls” for
the Western U.S.**



Alliant

Social Inflation

Median average – top 50 US verdicts



Source: *Shaub, Ahmuty, Citrin & Spratt*

RANSOMWARE

HOW TO KEEP YOUR DATA SAFE

RANSOMWARE IS A MALICIOUS SOFTWARE THAT ATTACKS USERS FILES AND DATA, ENCRYPTING IT WITH A SECRET KEY, AND FORCING THE USER TO PAY A RANSOM.



The ransomware virus is usually disguised as an attachment or link. It can come from visiting unsafe, suspicious websites, clicking on malicious content or applications.



EVOLVING: Ransomware

The ransomware attacks on public entities in Texas, Florida, Maryland, Georgia and elsewhere this year have raised questions not only about paying ransoms but also about the role of insurance in helping these targets get back to serving the public.

The FBI says organizations should never pay ransom and, for the most part, local and state governments hit by ransomware attacks this year appear to have adhered to that policy. According to Barracuda, only three of the 55 government entities attacked this year paid ransoms.

Overview of OCSD's Insurance Program

- General (Public Entity) Liability
- Property (“Fire”, etc.)
 - Earthquake
 - Boiler & Machinery
- Workers’ Compensation
- Miscellaneous Lines
 - Pollution
 - Cyber Liability
 - Marine

Public Entity

General Liability

- Coverage for damages to ***third parties*** arising out of District negligence. Includes:
 - General Liability
 - Automobile Liability
 - Public Entity Errors and Omissions
 - Professional Liability
 - Public Officials (Directors and Officers) Liability
 - Employment Practices Liability

All coverage provided on an “Occurrence” Basis

Public Entity Liability

Policy Limits and Retentions

- **Limit**
 - \$40MM - Per Occurrence and in the Annual Aggregate for General Liability, Automobile Liability, Errors and Omissions, Public Officials Liability and Employment Practices Liability
- **Retention**
 - \$500,000 – all claims
- **Expiring Premium: \$ 515,371**

Property Insurance

Overview

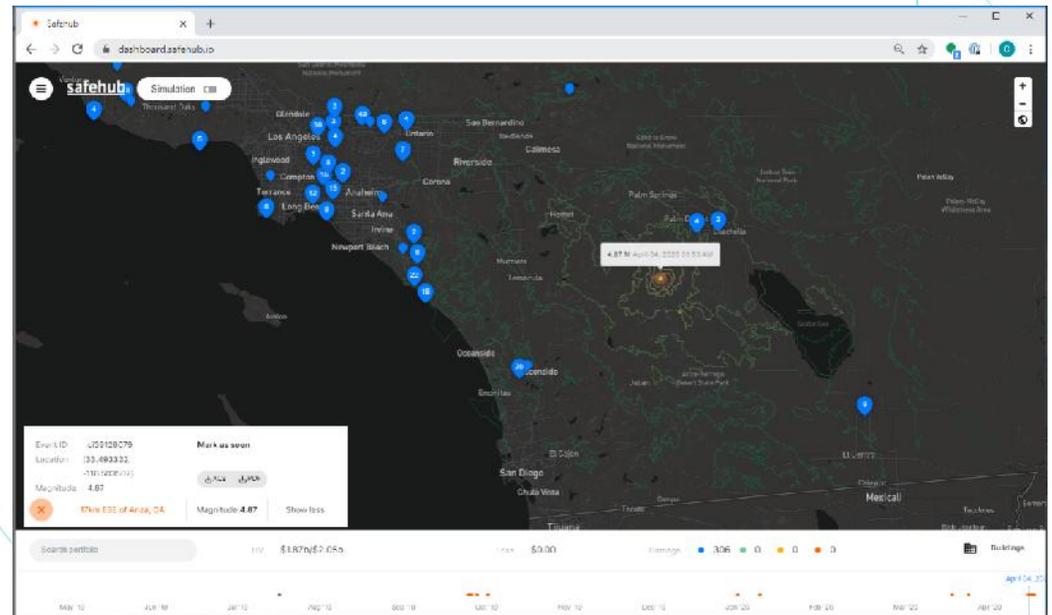
▪ Total Insurable Value:	\$2,173,424,381
▪ Policy Limit:	\$1,000,000,000
▪ Key Sublimits	
▪ Boiler & Machinery:	\$100,000,000
▪ Business Interruption:	\$100,000,000
▪ Flood Zones A&V:	\$150,000,000
▪ Flood All Other Zones:	\$300,000,000
▪ Course of Construction:	\$50,000,000
▪ Terrorism	\$500,000,000
▪ Deductible:	\$500,000
▪ Expiring Premium	\$805,344

Earthquake Overview



- Current Coverage

- Coverage for key buildings located at both Plants 1 and 2
- Values \$105,392,597
- Coverage up to \$25,000,000
- Deductible 5%/\$5MM Minimum
- Expiring Premium: \$86,585

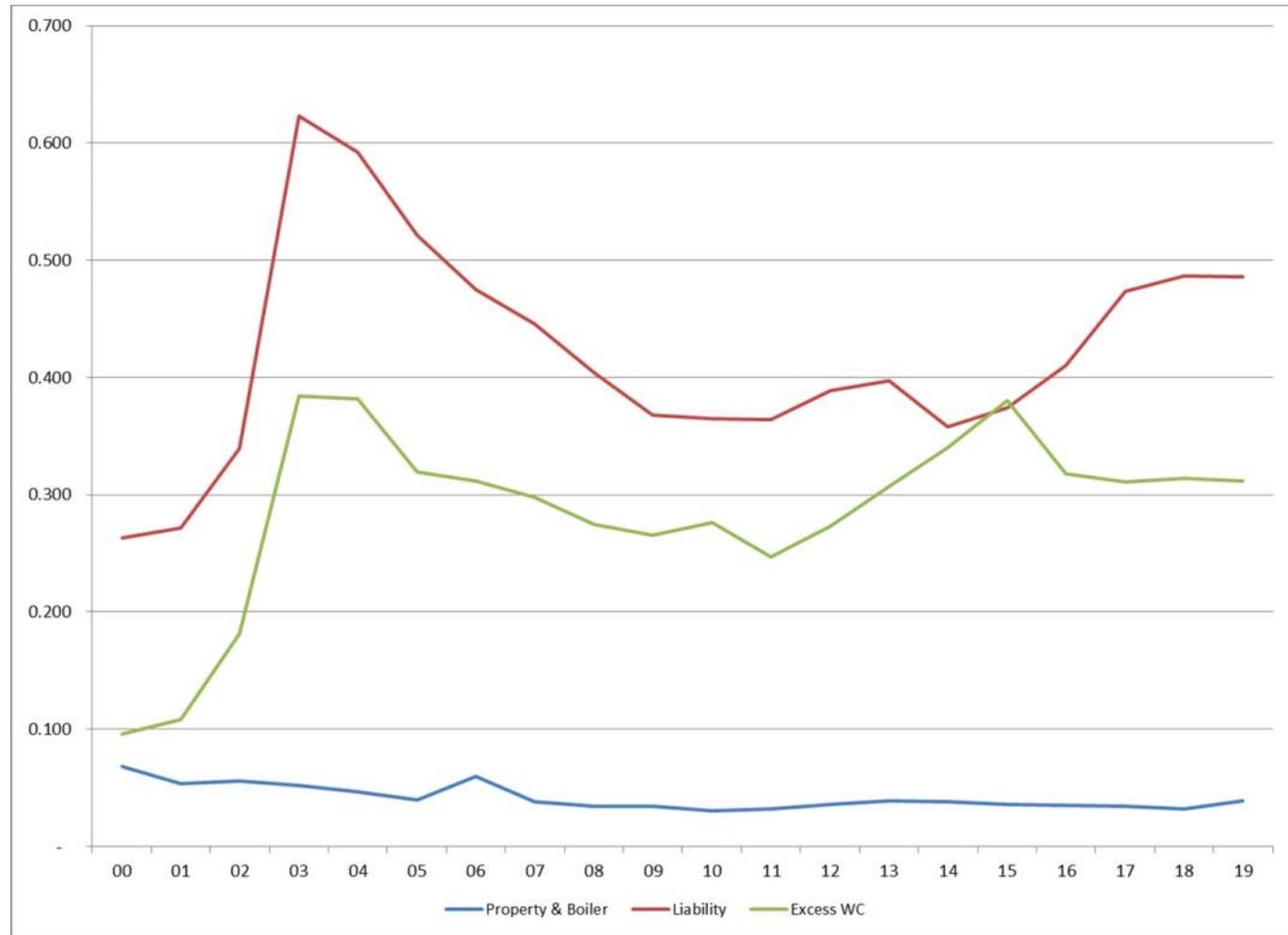


Excess Workers' Compensation

- Coverage for injuries to employees while in the course and scope of employment
 - Limits Statutory
 - Retention \$1,000,000
 - Payroll \$69,871,030
 - Expiring Premium \$217,762



Historical Rates



Renewal Strategy

- Key directives from OCSD
 - Market the Major Lines of Coverage in a strategic fashion
 - Provide Renewal With Existing Options at Various Retentions
 - Investigate membership in CSRMA
 - Remain Committed to EIA Excess Workers Compensation Program

Addressing Committee Questions

- Alternate SIRS –
- Claims History – Actuarial Work
 - Insurance is designed to cover unlikely, but financially catastrophic events **relative to the financial strength of the buyer** ... One cannot predict the future, but “low probability, high impact” events occur.
- Marketing Process
 - General Liability – 3 incumbent carriers – will approach over 10
 - Property - 17 incumbent carriers – will approach over 30
 - Workers’ Comp – Stay with EIA, new rating plan working in District’s favor
 - CSRMA considering OCSD as a member.
- Cyber Liability
 - An important consideration this year. Currently buy in Alliant group purchase program, **extremely** cost effective, **but** limits of cover could be **low** relative to risk. Will obtain options for higher limit of cover for consideration

2020 Renewal Expectations

At *expiring* limits and deductible structure...

Generally, conservative numbers are delivered at this point in time, but these *may not be conservative enough* in the current environment

Excess Liability	2019	2020	Change - Dollars/Percent	
Limit	40,000,000	40,000,000	-	-
Self-Insured Retention	500,000	500,000	-	-
\$10MM - Security National	337,271	438,452	101,181	30%
\$20MM - Berkley National	141,400	183,820	42,420	30%
\$10MM - Great American	36,700	47,710	11,010	30%
Premium	515,371	669,982	154,611	30%
Excess Workers' Comp				
2019				
2020				
Change - Dollars/Percent				
Payroll	69,871,030	73,639,437	3,768,407	5%
Limit	Statutory	Statutory	-	-
Rate Per \$100	0.31	0.28	(0.03)	-10%
Self-Insured Retention	1,000,000	1,000,000	-	0%
Premium	217,762	207,000	-10,762	-5%
Property (incl. B&M)				
2019				
2020				
Change - Dollars/Percent				
Values	2,173,424,381	2,175,238,884	1,814,503	0%
Deductible	500,000	500,000	-	-
Rate Per \$100	0.04	0.05	0.0082	22%
Premium	805,344	983,340	177,996	22%
Earthquake				
2019				
2020				
Change - Dollars/Percent				
Values	105,392,597	106,186,166	793,569	1%
Rate Per \$100	0.08	0.09	0.01	10%
Deductibles	5% \$5MM Min	5% \$5MM Min	-	0%
Premium	86,585	95,960	9,376	11%
Total Premium	1,625,062	1,956,283	331,221	20%



QUESTIONS?

THANK YOU!

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