

Business & Finance Committee

Item 7-1

Subject: Approve Renewal of Metropolitan's Property and Casualty Insurance Program

Purpose: Program Renewal

Business & Finance Committee

Item 7-1

Summary

Approve Renewal of Metropolitan's Property and Casualty Insurance Program.

Metropolitan's Property and Casualty Insurance Program

Business & Finance Committee
Item 7-1
June 7, 2010

Metropolitan's Property and Casualty Insurance Program

Objectives

- Review the 2009/10 Program
- Approve Purchase for 2010/11 Program

Metropolitan's Property and Casualty Insurance Program

Self-Insured Limits

- Third Party Liability \$25 million
- Workers' Compensation \$ 5 million
- Property Damage Self-insured

Metropolitan's Property and Casualty Insurance Program

Self-Insured Claims Programs

- Liability & Property

- Risk Management Unit, General Counsel and Third Party Claims Administrator

- Workers' Compensation

- Human Resources Group, General Counsel and Third Party Claims Administrator

Metropolitan's Property and Casualty Insurance Program

Excess Insurance

- General Liability \$75 million
- Workers' Compensation \$25 million
- Public Officials, Directors & Officers Liability \$65 million
- Fiduciary & Employee Benefit Liability \$60 million

Metropolitan's Excess Liability Coverage Layers and Limits

In Million Dollars

Excess Coverage	SIR	AEGIS 1 st Layer	EIM 2 nd Layer	Coverage Limits
General Liability	25	35	40	100
Fiduciary Liability	25	35	25	85
Directors & Officers Liability	25	25	40	90

Self-Insured Retention (SIR)

Associated Electric & Gas (AEGIS)

Energy Insurance Mutual (EIM)

Metropolitan's Property and Casualty Insurance Program

Specialty Insurance

	Assessed Value
● Aircraft Hull	
● Aircraft Liability	\$25 million
● Crime	\$ 5 million
● Special Contingency *	\$ 5 million
● Travel Accident *	\$ 250,000

* Expiring three-year term policies purchased July 2007

Metropolitan's Property and Casualty Insurance Program

Anticipated Moderately Higher Premiums

- Insurance industry investment losses and catastrophic claims losses
- Increased risks associated with current economic conditions
- Minimal inflation
- Payroll growth

Metropolitan's Property and Casualty Insurance Program

Excess Insurance Premiums Lower than Expected (in dollars)

Coverage Type	2010/11 May Est.	2010/11 June Quotes	% Change
General Liability	460,260	441,424	(4%)
Excess Liability Umbrella	391,520	356,015	(9%)
Fiduciary and Employee Benefit Liability	18,700	17,036	(9%)
Public Officials Directors & Officers Liability	156,550	146,153	(7%)

Metropolitan's Property and Casualty Insurance Program

Specialty Insurance Premiums Lower than Expected (in dollars)

Coverage Type	2010/11 May Est.	2010/11 June Quotes	% Change
Crime	15,550	12,097	(22%)
Aircraft Liability & Hull	42,000	25,876	(38%)
Special Contingency *	8,000	5,959	(26%)
Travel Accident *	28,000	27,586	(1%)

* Renew expiring three-year coverage last purchased during July 2007, for an additional three-year term

Metropolitan's Property and Casualty Insurance Program

Workers' Compensation

Lower Premiums for 2010/11 than 2009/10

- Workers' Compensation premium decrease due to increased capacity

Metropolitan's Property and Casualty Insurance Program

Workers' Compensation Insurance Options

Year	SIR	Limits	Premium	% Change
2009/10	\$ 5 M	\$25 M	\$117,611	N/A
2010/11	\$ 5 M	\$25 M	\$ 84,114	(28%)
2010 /11	\$ 5 M	\$50 M	\$ 94,693	(19%)
2010/11	\$10 M	\$25 M	\$ 75,034	(36%)

\$10,579 Buys additional \$25 million coverage

Additional \$949 to cover two Washington D.C. employees

Metropolitan's Property and Casualty Insurance Program

Workers' Compensation Insurance Limits Comparison

Organization	SIR	Limits
LA DWP	\$1 M	Statutory
EBMUD	\$5 M	\$60 M
DWR	\$0	Statutory
SCVWD	\$1 M	\$125 M
MWD	\$5 M	\$25 M

Metropolitan's Property and Casualty Insurance Program

Excess Liability & Workers' Compensation Insurance (in dollars)

Coverage Type	2009/10 Actual	2010/11 June Quotes	% Change
General Liability	438,344	441,424	1%
Excess Liability Umbrella	355,928	356,015	0%
Fiduciary and Employee Benefit Liability	17,032	17,036	0%
Public Officials Directors & Officers Liability	141,656	146,153	3%
Workers' Compensation *	117,611	94,963	(19%)

* Self-Insured Retention remains the same \$5 million and the limit increases from \$25 million to \$50 million.

Metropolitan's Property and Casualty Insurance Program

Specialty Insurance (in dollars)

Coverage Type	2009/10 Actual	2010/11 June Quotes	% Change
Crime	14,803	12,097	(18%)
Aircraft Liability & Hull	41,867	25,876	(38%)
Special Contingency *	-	5,959	-
Travel Accident *	-	27,586	-
Total Premiums	1,127,241	1,127,788	1%

* Renew expiring three-year coverage for another three years. Special Contingency \$7,809 and Travel Accident \$27,586 were last purchased July 2007.

Metropolitan's Property and Casualty Insurance Program

Premiums Outlook 2010/11

- Excess Liability and Specialty Coverages are estimated to increase less than 1%
 - Insurance industry moderating investment losses and minimal inflation
 - Workers' Compensation premium decrease due to increased capacity
- Policy Renewal Premiums are estimated to increase from **\$1,127,241** to **\$1,127,788**

Metropolitan's Property and Casualty Insurance Program

Premium Comparison by Fiscal Year

Actual 2006/07	Actual 2007/08	Actual 2008/09	Actual 2009/10
\$1,101,490	\$1,103,174	\$1,054,408	\$1,127,241
Quoted 2010/11			
\$1,127,788			

Board Recommendation

Option 1

- Renew Excess Insurance Coverages
- Increase Workers' Compensation Premium Limits to \$50 million
- Purchase policy for Washington, D.C. employees

Impact

- \$1,000 premium increase over FY 2009/10
- Within the \$1.25 million budget



Metropolitan's Property and Casualty Insurance Program

Self-Insurance v. Excess Insurance

- What is self-insurance?
 - Large deductible
 - Includes claim reserves, expenses and settlements
- What is excess insurance?
 - Insurance coverage beyond a primary policy or self-insurance level

Metropolitan's Property and Casualty Insurance Program

Definitions

General Liability

Broad coverage for claims involving third party property damage, personal injury and bodily injury

Workers' Compensation

Coverage for employee industrial injuries and illnesses

Metropolitan's Property and Casualty Insurance Program

Definitions

Public Officials, Directors & Officers Liability

Coverage for Public Officials, Directors and Officers for errors, misstatements, omissions, breach of duty and malfeasance

Fiduciary & Employee Benefit Liability

Coverage for breach of fiduciary duties, administrative errors or omissions that could be created by the persons managing the employee retirement program and employee benefits

Metropolitan's Property and Casualty Insurance Program

Definitions

Crime

Broad coverage for dishonesty, theft, forgery, fraud and extortion

Aircraft Hull & Liability

Physical damage to the aircraft or injury to the occupants

Third party property damage or bodily injury

Metropolitan's Property and Casualty Insurance Program

Definitions

All Risk Property Insurance

Coverage for real or personal property lost or damaged by a covered peril such as fire

Earthquake and Flood

Replacement cost for property damaged by an earthquake or flood

Metropolitan's Property and Casualty Insurance Program

Definitions

Employment Practices Liability Insurance (EPLI)

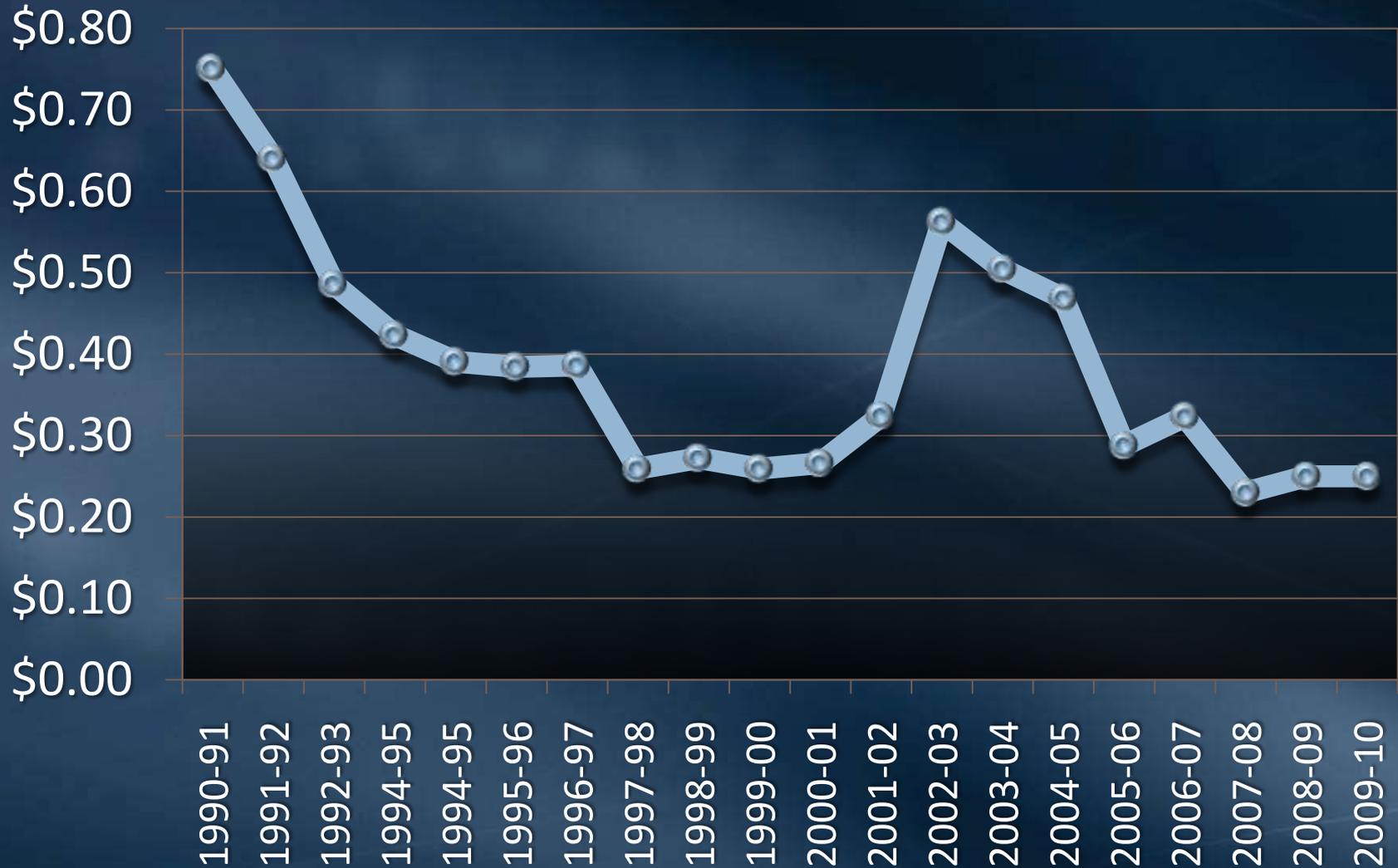
Coverage for claims by employees or former employees alleging acts such as wrongful termination, discrimination, or sexual harassment

Metropolitan's Property Insurance Program

Specialty Insurance

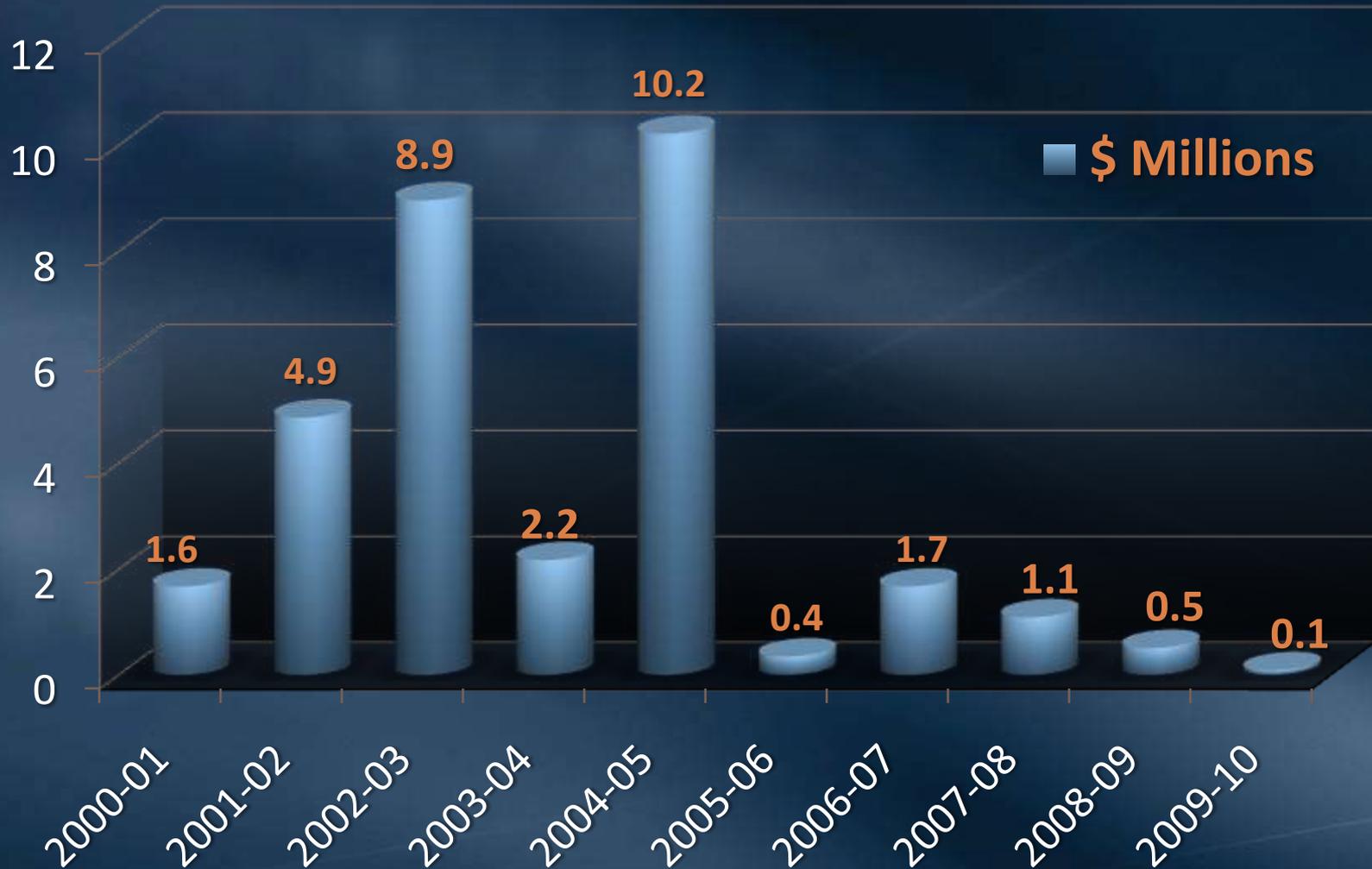
- 100% Self-Insured
- History without catastrophic property losses
- Commercial Paper Program

Historical Rate per \$100 of Property Coverage



MWD Liability Claims Total Incurred

All years - as of 3/31/10



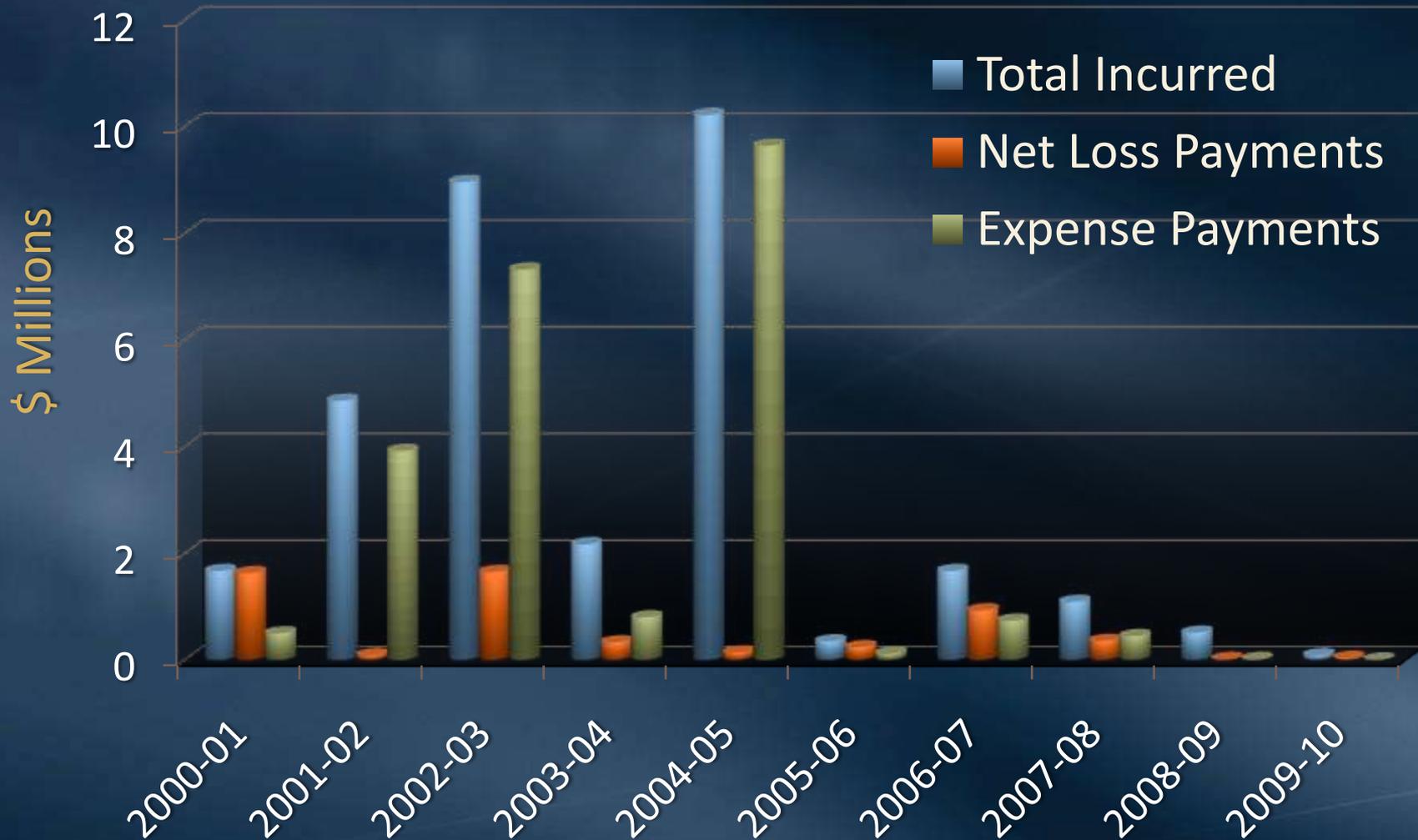
MWD Liability Claims Net Loss and Expense Payments

All years- as of 3/31/10



MWD Liability Claims Total Incurred

All years - as of 3/31/10



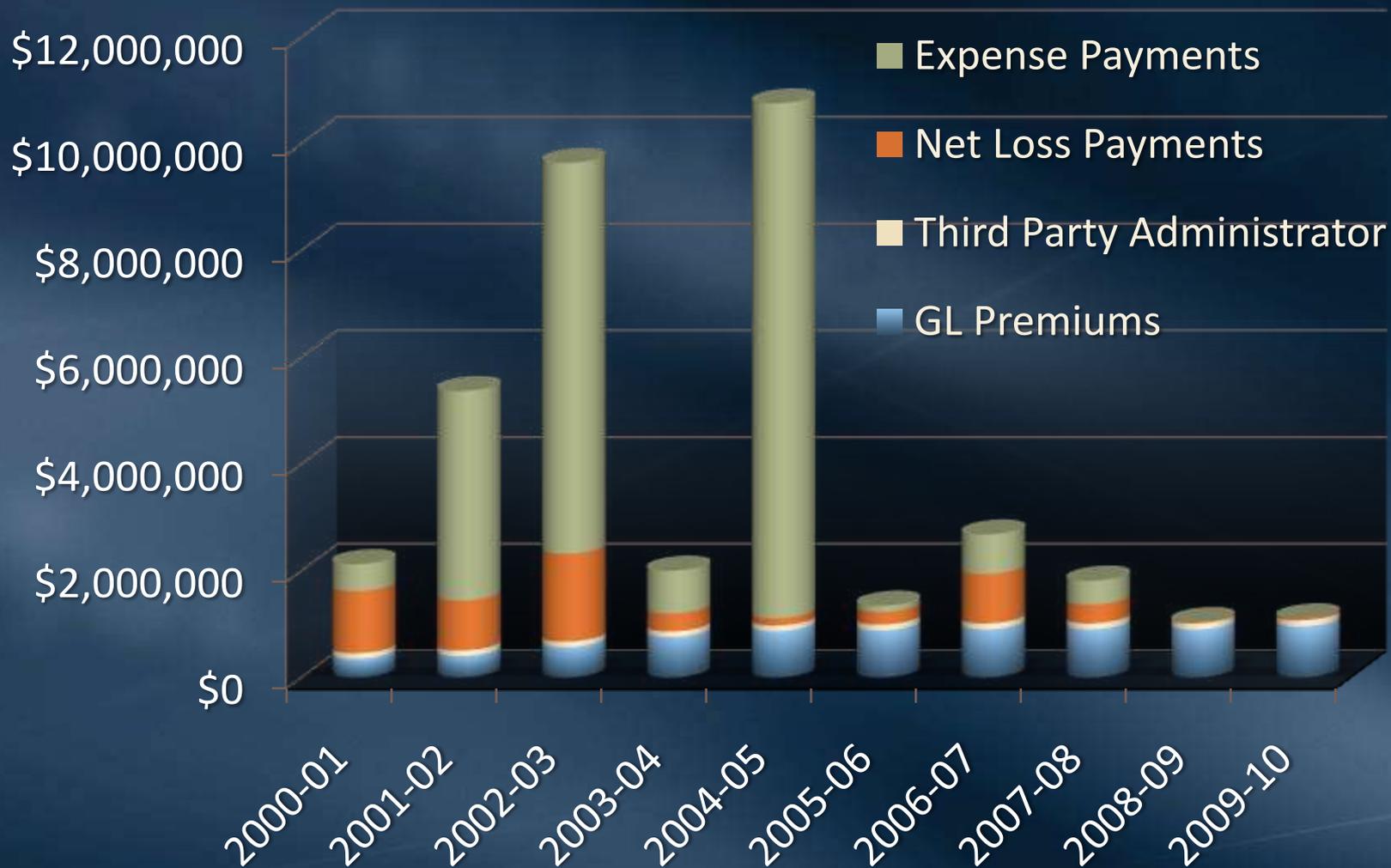
MWD Liability Claims Total Incurred

All years - as of 3/31/10



Metropolitan's Cost of Risk

All years - as of 3/31/10



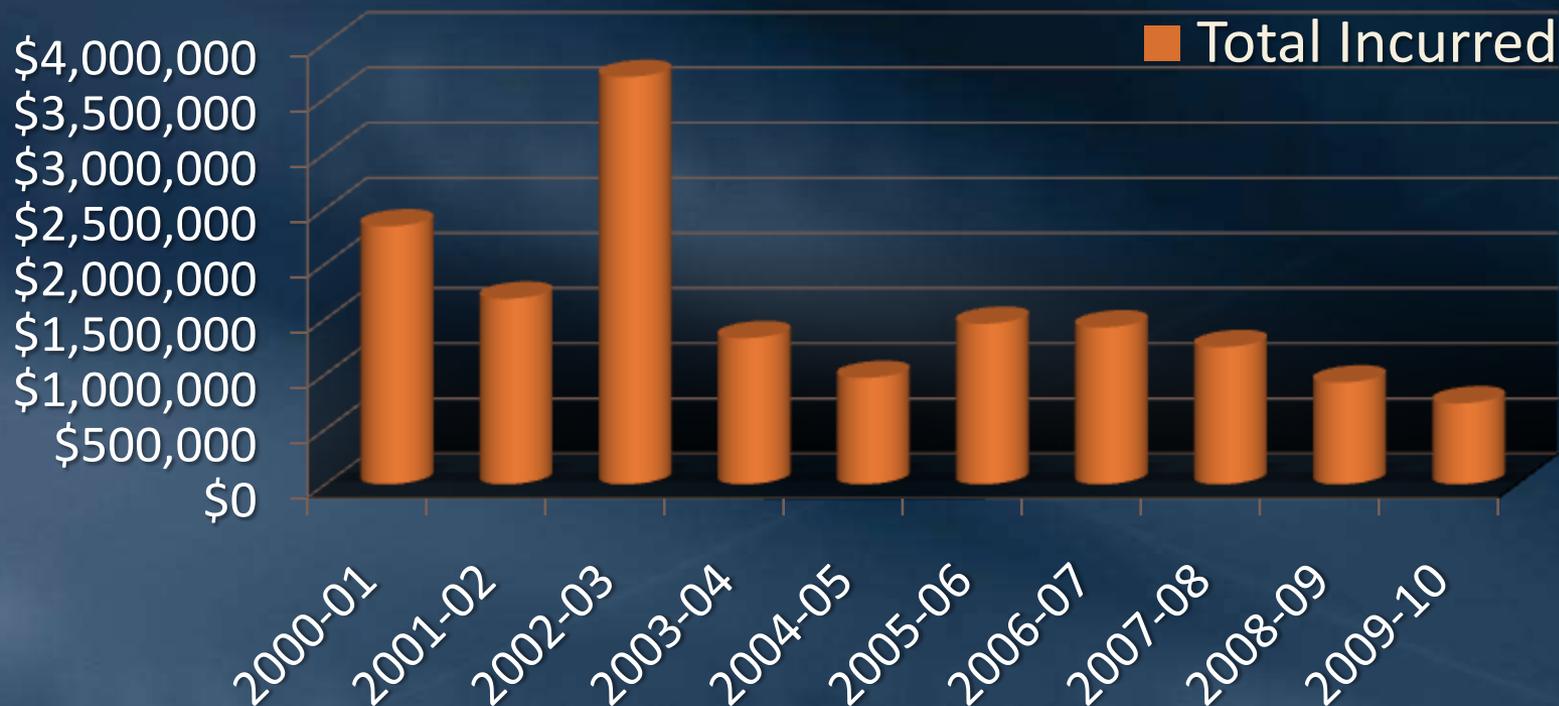
MWD Excess Workers' Compensation Insurance

Premium and SIR Comparison



MWD Workers' Compensation Claims History

All years - as of 3/31/10



Cases	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
Closed	182	149	130	121	121	126	102	101	114	56
Open	3	2	8	2	6	4	15	16	15	36

MWD Workers' Compensation Total Paid

All Years - as of 3/31/10

