



# Approve the Renewal of Metropolitan's Property and Casualty Insurance Program

Finance & Insurance Committee

Item 7-1

June 11, 2018

# Renewal of Metropolitan's Property and Casualty Insurance Program

## *Objectives*

- Provide insurance program cost information, and request approval for this year's insurance renewal

# Metropolitan's Self Insurance and Excess/Specialty Coverage Program

- Self-Insured Retentions
  - Liability/Property
  - Workers' Compensation
  - Claims Programs to Manage the Self-Insured Retentions
- Excess and Specialty Insurance Coverages

# Metropolitan's Property and Casualty Insurance Program

## *Self-Insured Retention*

- General Liability \$25 million
- Workers' Compensation \$5 million
- Property Damage\* Self-Insured

\* Excluding Stand Alone Property Insurance Policy

# Metropolitan's Property and Casualty Insurance Program

## *Excess Insurance*

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

# Metropolitan's Property and Casualty Insurance Program

## *Specialty Insurance*

Aircraft Liability	\$25 million
Aircraft Hull	Assessed Value
Property Damage	Assessed Value up to \$25 million
Crime	\$ 5 million
Special Contingency *	\$ 5 million
Travel Accident *	\$ 250,000

\* 3-year coverage last purchased 2016/17

# Metropolitan's Property and Casualty Insurance Program

## *2018/19 Outlook*

- 5% cost increase to renew or replace expiring policies
  - **Factors causing modest premium cost increase**
    - Poor Insurance Industry Investment Returns
    - Increasing medical costs, and uncertainty about future medical costs
- 3-year policies purchased in 2016/17 for a total of \$27,646 are not up for renewal until 2019/20
- Policy Renewal Premiums are estimated to increase from

**\$1.12 million**

to

**\$1.176 million**

# Renewal of Metropolitan's Property and Casualty Insurance Program

*Excess Insurance Premiums (in dollars)*

Coverage Type	2017/18 Actual	2018/19 Quoted	2018/19 % Change
General Liability	661,491	672,550	2%
Fiduciary and Employee Benefit Liability	45,604	45,604	0%
Public Officials Directors & Officers Liability	250,659	289,683	16%

# Renewal of Metropolitan's Property and Casualty Insurance Program

*Excess & Specialty Insurance Premiums (in dollars)*

Coverage Type	2017/18 Actual	2018/19 Quoted	2018/19 % Change
Aircraft Hull & Liability and UAVs	41,501	41,501	0%

# Renewal of Metropolitan's Property and Casualty Insurance Program

*Excess & Specialty Insurance Premiums (in dollars)*

Coverage Type	2017/18 Actual	2018/19 Quoted	2018/19 % Change
Crime	11,908	10,957	(8%)
❖ Property	1,730	1,944	12%

❖ Stand alone coverage will continue for OC-71, SD-7 & SD-11

# Renewal of Metropolitan's Property and Casualty Insurance Program

*Three-Year Policy Insurance Premiums (in dollars)*

Coverage Type	2017/18 Actual	2018/19 Quoted	2018/19 % Change
Special Contingency	4,489	NA	NA
Travel Accident	23,157	NA	NA

**Special Contingency and Travel Accident are three-year coverages that were last purchased 2016/17**

# Renewal of Metropolitan's Property and Casualty Insurance Program

*Excess Insurance Premiums (in dollars)*

Coverage Type	2017/18 Actual	2018/19 Quoted	2018/19 % Change
<b>Option 1 - Premium</b> Maintain WC SIR at \$5M	106,287	111,656	5.1%
<b>Option 2 - Premium</b> Reduce WC SIR to \$2.5M	NA	250,900	136%
Workers' Compensation, D.C.	1,155	1,287	11%

# Renewal of Metropolitan's Property and Casualty Insurance Program

## *Stable Workers' Compensation Exposure*

- Safety Training
- MWD Safety Programs Embedded in Operations
- Stable Workers' Compensation Claims History and Performance

# Workers' Compensation Performance Experience Rating (Ex-Mod) – Comparison with Industry

- Bench Mark 1.00
  - Score less than 1.00 positive rating
  - Score more than 1.00 negative rating
- Metropolitan rating 0.80

# Metropolitan's Property and Casualty Insurance Program

*Premium Comparison by Fiscal Year*

Actual 2013/14	Actual 2014/15	Actual 2015/16	Actual 2016/17	Actual 2017/18
\$1,138,799*	\$1,128,977	\$1,129,546	\$1,148,248*	\$1,120,335
		Option 1	Option 2	
	Estimated 2018/19	\$1,175,179	\$1,314,423	

\* Includes cost of 3-year duration Travel Accident and Special Contingency policies

# Recommendation

## Option 1

Approve up to \$1.176 million to renew excess and specialty insurance coverages

## Impact

Within the \$1.3 million budget, resulting in an approximate \$24,204 cost increase compared to FY 2017/18

