

Renewal Status of Metropolitan's Property and Casualty Insurance Program

Finance & Insurance Committee

Item 7-2

June 10, 2013

Metropolitan's Property and Casualty Insurance Program

Objectives

- Review the 2012/13 Program
- Approve the purchase of the 2013/14 Program

Metropolitan's Self Insurance and Excess / Specialty Coverage Program

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

Metropolitan's Property and Casualty Insurance Program

Self-Insured Retention

General Liability \$25 million

Workers' Compensation \$ 5 million

Property Damage 100%*

Metropolitan's Property Insurance Program

- Assessed value up to \$25 million
- No deductible
- Policy covers OC-71, SD-7 & SD-11 that sustained fire damage during the fall of 2009.

MWD received financial aid from FEMA for restoration; contingent upon the agreement to purchase and maintain coverage for the facilities.

Metropolitan's Self-Insured Claims Programs

Liability & Property

Risk Management Unit

Third Party Claims Administrator

MWD General Counsel

Workers' Compensation

Workers' Compensation / Medical Unit

Third Party Claims Administrator

Metropolitan's Property and Casualty Insurance Program

Excess Insurance

General Liability \$75 million

Workers' Compensation \$50 million

Public Officials, Directors & Officers Liability \$65 million

Fiduciary & Employee Benefit Liability \$60 million

Metropolitan's Excess General 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

Associated Electric & Gas (AEGIS)

Energy Insurance Mutual (EIM)

Self-Insured Retention (SIR)

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

Metropolitan's Property and Casualty Insurance Program

Premiums Outlook 2013/14

- Overall cost to increase about 6.8%
- 3.6% cost increase compared with 2012/13 premiums
 - Renewal of 3-year duration Travel Accident and Special Contingency policies, totaling approximately \$37,000
 - Insurance Market Economics
 - Poor Insurance Industry Investment Returns
 - Catastrophic Property Losses
- Insurance renewal premiums are estimated to increase from **\$1.087 million** to **\$1.161 million**

Metropolitan's Property and Casualty Insurance Program

Excess Insurance Premiums (in dollars)

Coverage Type	2012/13 Actual	2013/14 June Quotes	% Change
General Liability	402,970	435,262	7%
Excess Liability Umbrella	371,352	375,236	1%
Fiduciary and Employee Benefit Liability	20,650	25,800	20%
Public Officials Directors & Officers Liability	147,131	147,060	0%
Aircraft Hull & Liability	25,876	24,609	(5%)
Crime	12,097	12,893	6%

Metropolitan's Property and Casualty Insurance Program

Excess Insurance Premiums (in dollars)

Coverage Type	2012/13 Actual	2013/14 June Quotes	% Change
Property ¹	8,413	4,000 ²	(52%)
Special Contingency ³	5,959	5,959	0%
Travel Accident ³	27,586	27,586	0%

¹ Responsibility for the Weymouth ozone equipment was turned over to the construction contractor, Archer Western Contractors LLC. Coverage will continue for: OC-71, SD-7 & SD-11

² Cost estimate

³ Three-year coverage last purchased July 2010

Metropolitan's Property and Casualty Insurance Program

Excess Insurance Premiums (in dollars)

Coverage Type	2012/13 Actual	2013/14 June Quotes	% Change
Workers' Compensation, CA – Option #1	96,894	100,811	4%
Workers' Compensation, CA – Option #2	0	0	0%
Workers' Compensation, D.C.	989	882	(12%)
Total Premiums – Option #1	1,086,071	1,160,098	6.8%
Total Premiums – Option #2	1,086,071	1,059,557	(3.6%)

Option #1 Workers' Compensation

Approve up to \$1.161 million

To renew or replace all existing insurance coverages.

Fiscal Impact

An approximate \$75,000 increase compared with the premium costs for fiscal year 2012/13.

Business Analysis

Metropolitan's financial position would remain protected against risk of catastrophic losses.

Costs

\$1,126,553 or 3.6% Renew the existing coverages

\$1,160,098 or 6.8% Renew existing coverages, and renew the Special Contingency and Travel Accident

Option #2 Workers' Compensation Approve up to \$1.060 million

To renew or replace all existing insurance coverages, except Workers' Compensation coverage for California employees.

Fiscal Impact

An approximate \$29,000 decrease compared with the premium costs for fiscal year 2012/13.

Business Analysis

Increased exposure to potential catastrophic losses compared to Option #1.

Costs

- | | |
|------------------------------|---|
| \$1,025,742 or (5.9%) | Renew the existing coverages |
| \$1,059,287 or (2.5%) | Renew existing coverages, and renew the Special Contingency and Travel Accident |

Options Comparison

Option #1:

- Maintain catastrophic coverage to protect Metropolitan's financial position against risk of catastrophic losses.

Option #2:

- \$50 million Increased financial exposure to a "Black Swan" catastrophic event.
- Savings of approximately \$100,000 in premiums. \$60,000 would need to be retained annually
- Actual risk adjusted \$40,000 savings available for other uses
- Reputational Risk

Board Recommendation

Option 1

Approve up to \$1.161 million to renew excess and specialty insurance coverages

Impact

Within the \$1.375 million budget, resulting in an approximate \$75,000 cost increase compared to FY 2012/13

Metropolitan's Property and Casualty Insurance Program

Premium Comparison by Fiscal Year

Actual 2009/10	Actual 2010/11	Actual 2011/12	Actual 2012/13
\$1,127,241	\$1,124,594 *	\$1,084,122	\$1,086,071
	Quoted 2013/14	\$1,160,368 *	

* Travel Accident and Special Contingency insurance last purchased 2010/11

