

Finance & Insurance Committee

Item 9-1

- **Subject:** Renewal Status of Metropolitan's Property and Casualty Insurance Program
- **Purpose:** Program Renewal Status

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Item 9-1

Summary

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

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May 11, 2015

Metropolitan's Property and Casualty Insurance Program

Objectives

- Review the Current Program
- Provide Cost Estimates for this year's Insurance Renewal

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* Self-Insured

* Excluding Stand Alone Property Insurance Policy

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)

Annually Review Self Insured Retentions and Excess Coverages to Ensure Appropriate Levels

- Actuarial Study & Insurance Broker Review
- Periodic Actuarial Retention & Coverage Limit Review
- Metropolitan's operations and risks remain stable
- Gradual change in number of employees
- Embedded safety programs in operations
- Environmental, Health & Safety training and monitoring
- Claims Management
- Access to Capital

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 purchased 2013/14

Metropolitan's Property and Casualty Insurance Program

Premiums Outlook 2015/16

- Overall cost increase about 4.7%
 - Insurance Market Economics
 - Poor Insurance Industry Investment Returns
 - Increasing Workers' Compensation costs, and uncertainty about future medical cost increases
- Policy Renewal Premiums are estimated to increase from **\$1.129 million** to **\$1.182 million**

Insurance Industry Outlook and 2014 Results

Property and Casualty

- Mixed picture
- Investment Income projected to decrease by 3.4%
- Natural catastrophe claims estimated at \$15.3 billion compared with the \$25 billion per year ten year average
- Property and Casualty insurers paid \$97.8 in claims and overhead for every \$100 received in premiums

Insurance Market Outlook and 2014 Results

Workers' Compensation

- Expecting moderate premium increases
- Insurers paid \$99 in claims and overhead for every \$100 received in premiums
- Aging workforce
- Increasing number of indemnity claims
- Increasing treatment and drug costs

Metropolitan's Property and Casualty Insurance Program

Excess Insurance Premiums (in dollars)

Coverage Type	2014/15 Actual	2015/16 Estimate	% Change
General Liability	444,556	440,254	(1%)
Excess Liability Umbrella	376,566	403,000	7%
Fiduciary and Employee Benefit Liability	30,960	37,152	20%
Public Officials Directors & Officers Liability	127,520	140,272	10%

Metropolitan's Property and Casualty Insurance Program

Excess Insurance Premiums (in dollars)

Coverage Type	2014/15 Actual	2015/16 Estimate	% Change
Aircraft Hull & Liability	24,609	27,090	10%
Crime	12,981	13,240	2%
Workers' Compensation, CA	109,123	117,853	8%
Workers' Compensation, D.C.	984	1,063	8%

Metropolitan's Property and Casualty Insurance Program

Excess Insurance Premiums (in dollars)

Coverage Type	2014/15 Actual	2015/16 Estimate	% Change
Property ¹	1,677	1,693	1%
Special Contingency ²	4,489	n/a	n/a
Travel Accident ²	27,586	n/a	n/a
Total Premiums	1,128,977	1,181,900	4.7%

1 Coverage will continue for OC-71, SD-7 & SD-11

2 Three-year duration last purchased July 2013

Metropolitan's Property and Casualty Insurance Program

Premium Comparison by Fiscal Year

Actual 2010/11	Actual 2011/12	Actual 2012/13	Actual 2013/14	Actual 2014/15
\$1,124,594 *	\$1,084,122	\$1,086,071	\$1,138,799 *	\$1,128,977
Estimated 2015/16		\$1,181,900		

* Actual premiums include 3-year coverage for Travel Accident and Special Contingency:
2010/11 \$36,900 and 2013/14 \$32,075

