

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

Finance & Insurance Committee  
Item 9-1  
May 9, 2016

# 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 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 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
- MWD General Counsel

# 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 Excess General Liability Coverage Layers and Limits

In Million Dollars

Excess Coverage	SIR	AEGIS 1 <sup>st</sup> Layer	EIM 2 <sup>nd</sup> 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)

# Periodic Review of Self Insured Retentions and Excess Coverage Limits to Ensure Appropriate Levels

- Actuarial Study & Insurance Broker Reviews
- Metropolitan's operations and risks remain stable
- 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 last purchased 2013/14

# Metropolitan's Property and Casualty Insurance Program

## 2016/17 Outlook

- Overall cost increase about **8%**
- **5%** to renew policies purchased 2015/16
  - **Insurance Market Factors Causing 5% Increase**
    - Poor Insurance Industry Investment Returns
    - Increasing Workers' Compensation medical costs, and uncertainty about future medical costs
- **3%** to renew three-year policies last purchased during 2013/14
- Policy Renewal Premiums are estimated to increase from

**\$1.129 million**

to

**\$1.220 million**

# Metropolitan's Property and Casualty Insurance Program

Excess Insurance Premiums (in dollars)

Coverage Type	2015/16 Actual	2016/17 Estimate	2016/17 % Change
General Liability	671,565	704,920	5%
Fiduciary and Employee Benefit Liability	45,604	48,343	6%
Public Officials Directors & Officers Liability	259,055	272,085	5%
Workers' Compensation	101,563	107,654	6%

# Metropolitan's Property and Casualty Insurance Program

Excess Insurance Premiums (in dollars)

Coverage Type	2013/14 Last Purchased	2015/16 Actual	2016/17 Estimate	2016/17 % Change
Special Contingency	4,489	n/a	4,713	5%
Travel Accident	27,586	n/a	29,000	5%

Special Contingency and Travel Accident are three-year coverages that were last purchased 2013/14

# Metropolitan's Property and Casualty Insurance Program

Excess Insurance Premiums (in dollars)

Coverage Type	2015/16 Actual	2016/17 Estimate	2016/17 % Change
Aircraft Hull & Liability	36,801	38,641	5%
Crime	13,245	13,500	5%
❖ Property	1,713	1,750	2%
<b>Total Premiums</b>	<b>1,129,546</b>	<b>1,220,606</b>	<b>8.1%</b>

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

# Metropolitan's Property and Casualty Insurance Program

Premium Comparison by Fiscal Year

Actual 2011/12	Actual 2012/13	Actual 2013/14	Actual 2014/15	Actual 2015/16
\$1,084,122	\$1,086,071	\$1,138,799*	\$1,128,977	\$1,129,546
Estimated 2016/17		\$1,220,606*		

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



# Insurance Industry Outlook and 2015 Results

## Property and Casualty

- Mixed but improving picture
- Investment Income projected nearly flat
- Global natural catastrophe claims estimated at \$35 billion, 31% below the 15-year average of \$51 billion
- Property and Casualty insurers paid \$96.7 in claims and overhead for every \$100 received in premiums

# Insurance Market Outlook and 2015 Results

## Workers' Compensation

- Expecting slight premium increases
- Insurers paid \$98.5 in claims and overhead for every \$100 received in premiums

### Factors keeping costs up

- Aging workforce
- Increasing number of indemnity claims
- Increasing treatment and drug costs

# Stand Alone Property Insurance

- Covers MWD sites damaged by Fall 2009 fire
- Coverage required by FEMA to have received reimbursement for 2009 loss
- Assessed value of property
- No deductible

MWD sites: OC-71, SD-7 & SD-11

# Earthquake Coverage

## Headquarters Building Estimated Costs

### \$10 million coverage

Year	Deductible	Estimated Premium
2014	5%	\$110,236
2014	10%	\$78,863

### \$25 million coverage

Year	Deductible	Estimated Premium
2014	5%	\$276,676
2014	10%	\$221,553
2007	10%	\$361,943

# Insurance Program Comparison

as of May 2012

Entity	General Liability		Worker's Compensation		Operating Budget
	Self-Insured	Limits	Self-Insured	Limits	Amount
<b>MWD</b> 1,800 Employees	\$25 M	\$ 75 M	\$ 5 M	\$ 50 M	\$ 1.78 B
<b>MTA</b> 9,000 Employees	\$ 5 M	\$ 250 M	Self-insured		\$ 1.2 B
<b>LA County</b> 101,000 Employees	Self-insured		Self-insured		\$ 20.6 B
<b>LA County Sanitation</b> 1,900 Employees	\$ 1 M	\$ 25 M	Self-insured		\$ 920 M
<b>OC Sanitation</b> 600 Employees	\$250,000	\$ 30 M	\$ 750,000	Statutory	\$ 250 M
<b>Coachella Valley</b> 500 Employees	\$250,000	\$ 35 M	\$ 250,000	\$ 35 M	\$ 222 M

# Metropolitan's Property and Casualty Insurance Program

Premium Comparison by Fiscal Year

Actual 2009/10	Actual 2010/11	Actual 2011/12	Actual 2012/13	Actual 2013/14
\$1,127,241	\$1,087,694 *	\$1,084,122	\$1,086,071	\$1,106,724 *
Estimated 2014/15		\$1,202,140		

\* Actual premiums do not include 3-year coverages for Travel Accident and Special Contingency

# 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 and Casualty Insurance Program

Premium Comparison by Fiscal Year

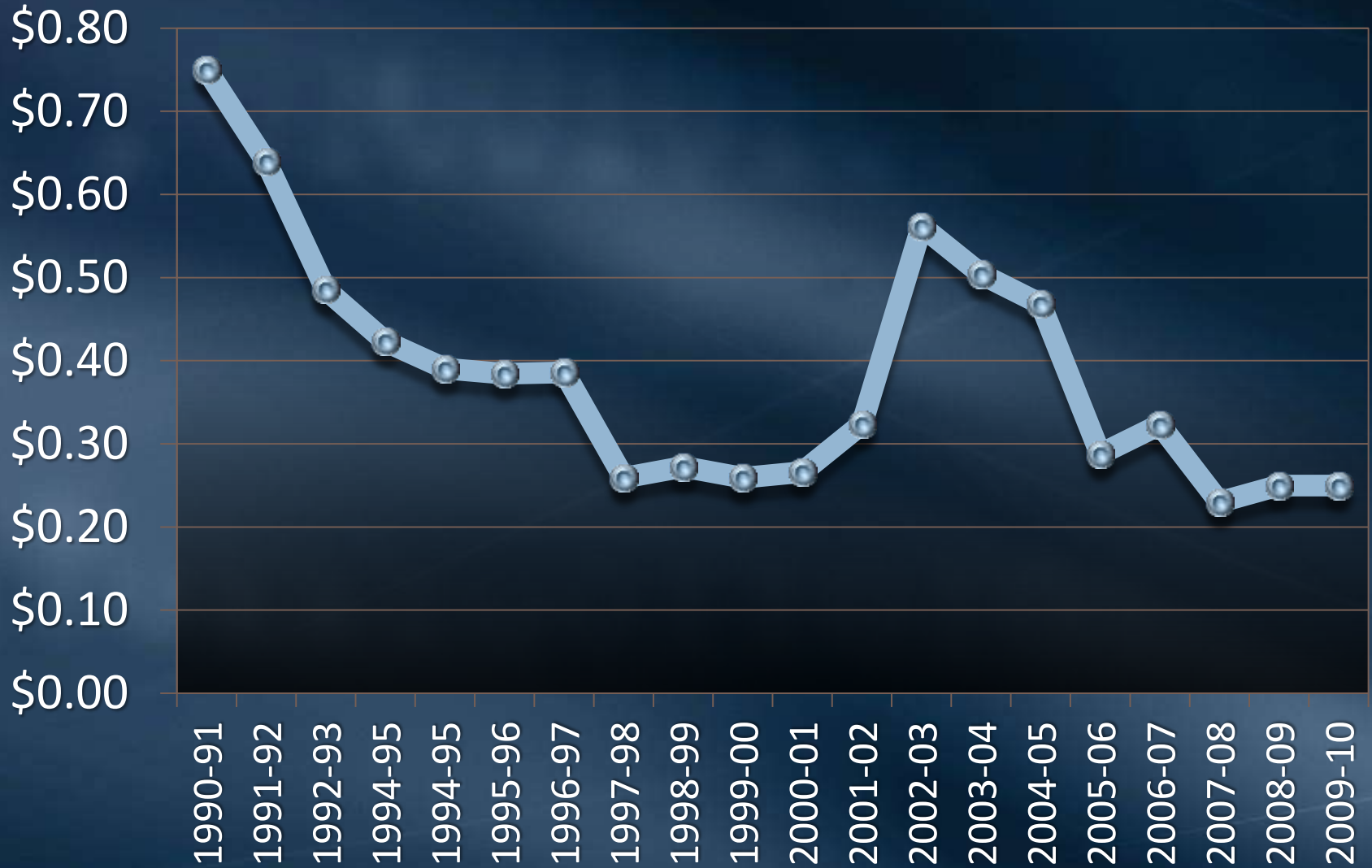
<b>Actual 2010/11</b>	<b>Actual 2011/12</b>	<b>Actual 2012/13</b>	<b>Actual 2013/14</b>
<b>\$1,124,594</b>	<b>\$1,084,122</b>	<b>\$1,086,071</b>	<b>\$1,138,799</b>
	<b>Estimated 2014/15</b>		<b>\$1,202,140</b>

# Metropolitan's Property Insurance Program

## Specialty Insurance

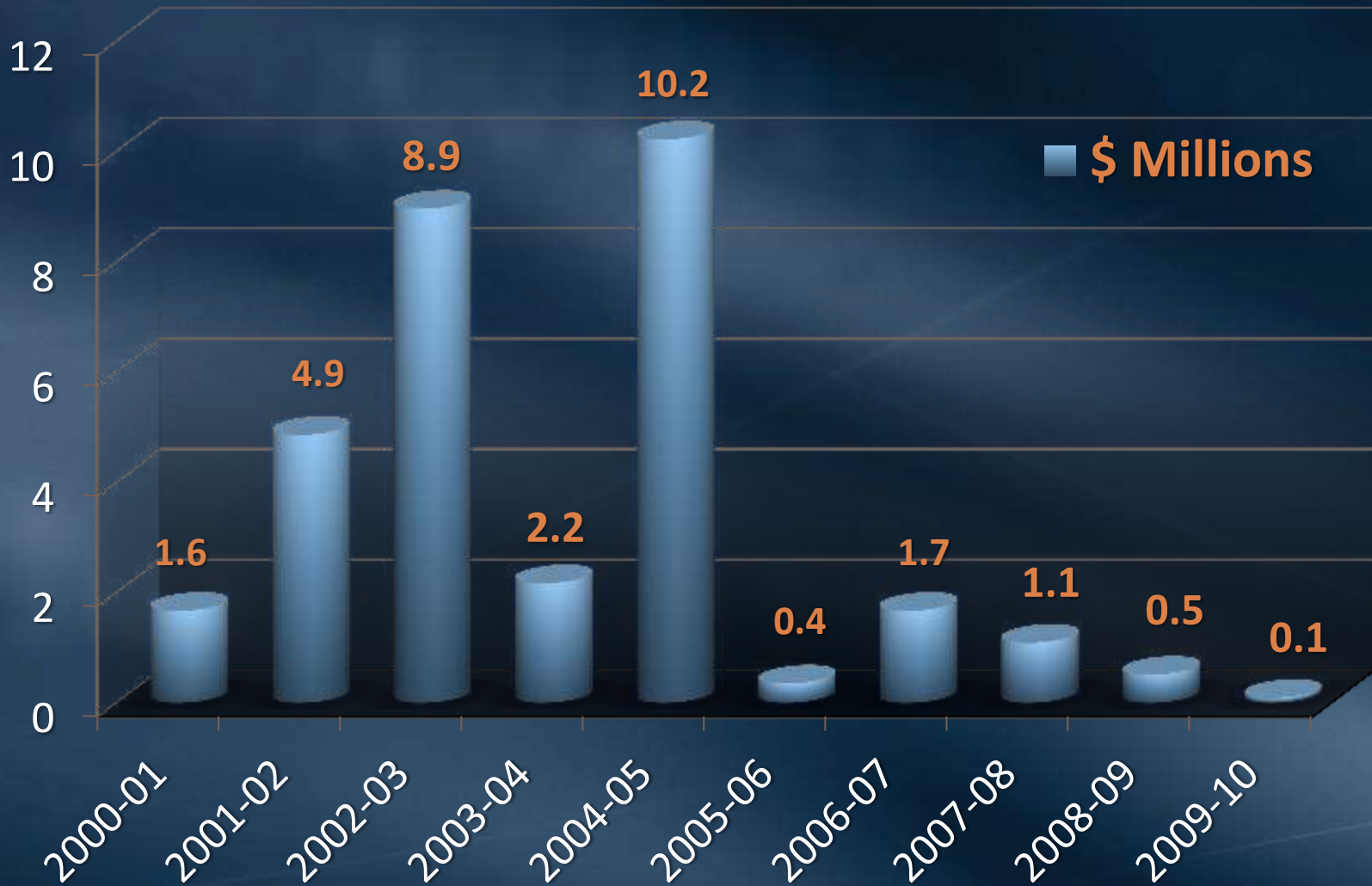
- Nearly 100% Self-Insured
- History without catastrophic property losses
- Commercial Paper Program

# Historical Rate per \$100 of Property Coverage



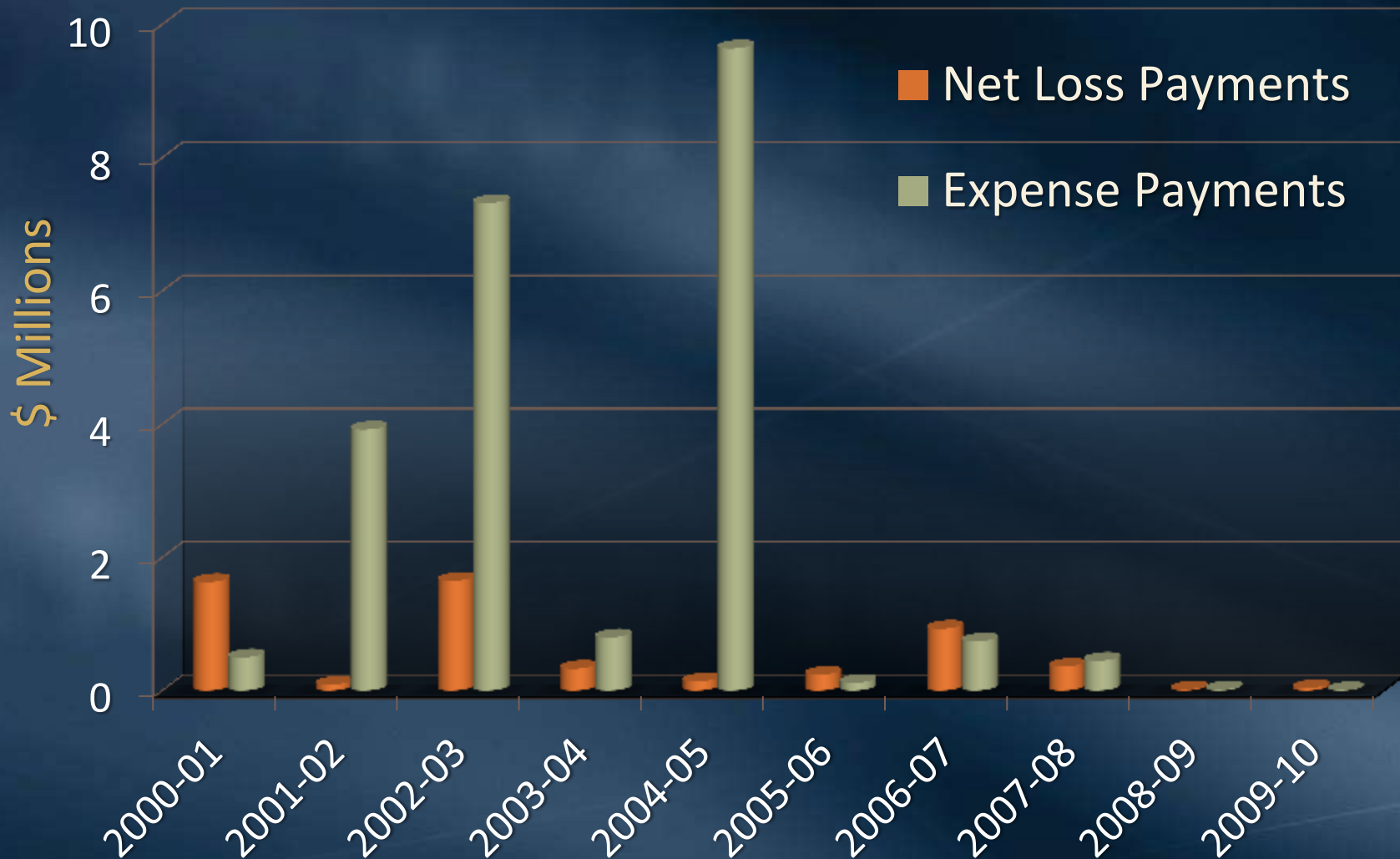
# MWD Liability Claims Total Incurred

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



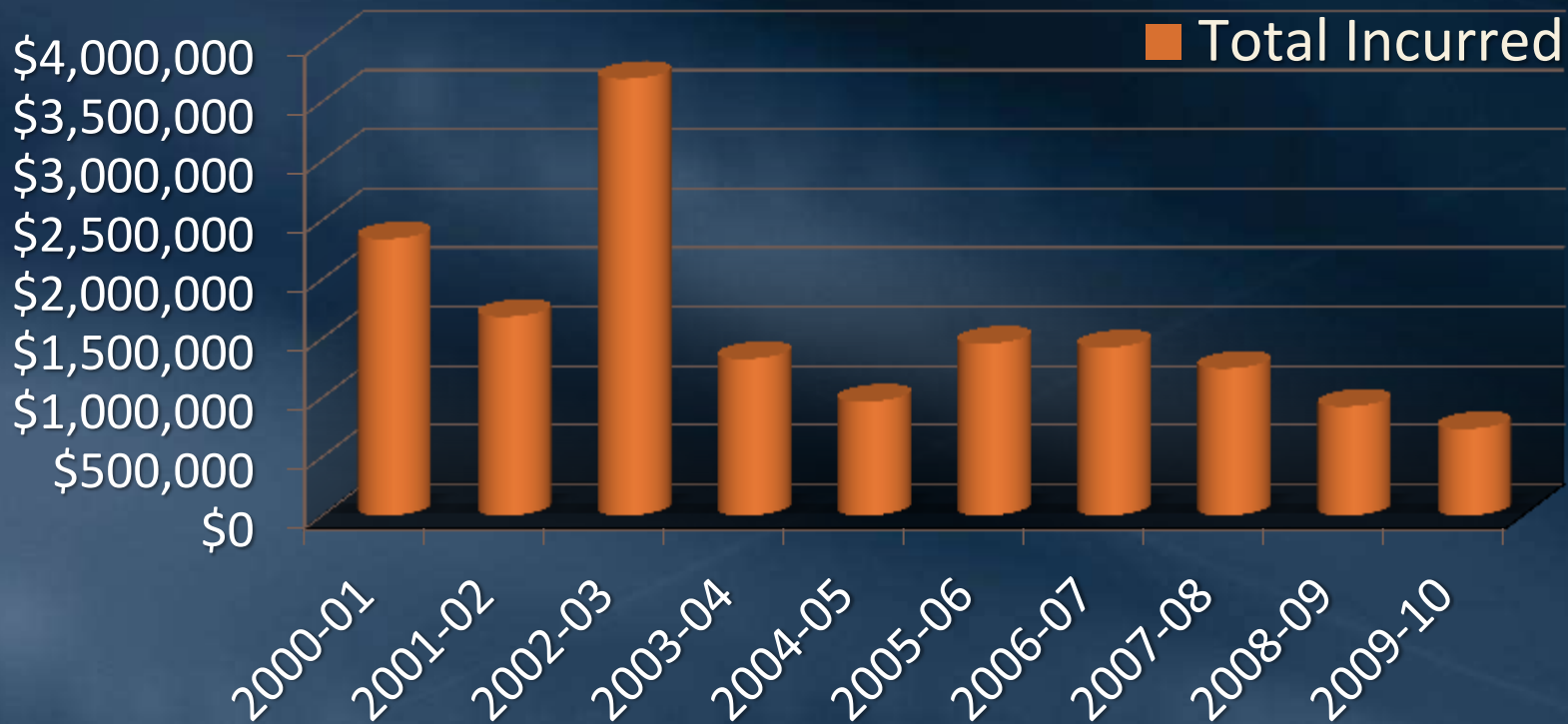
# MWD Excess Workers' Compensation Insurance

## Premium and SIR Comparison



# MWD Workers' Compensation Claims History

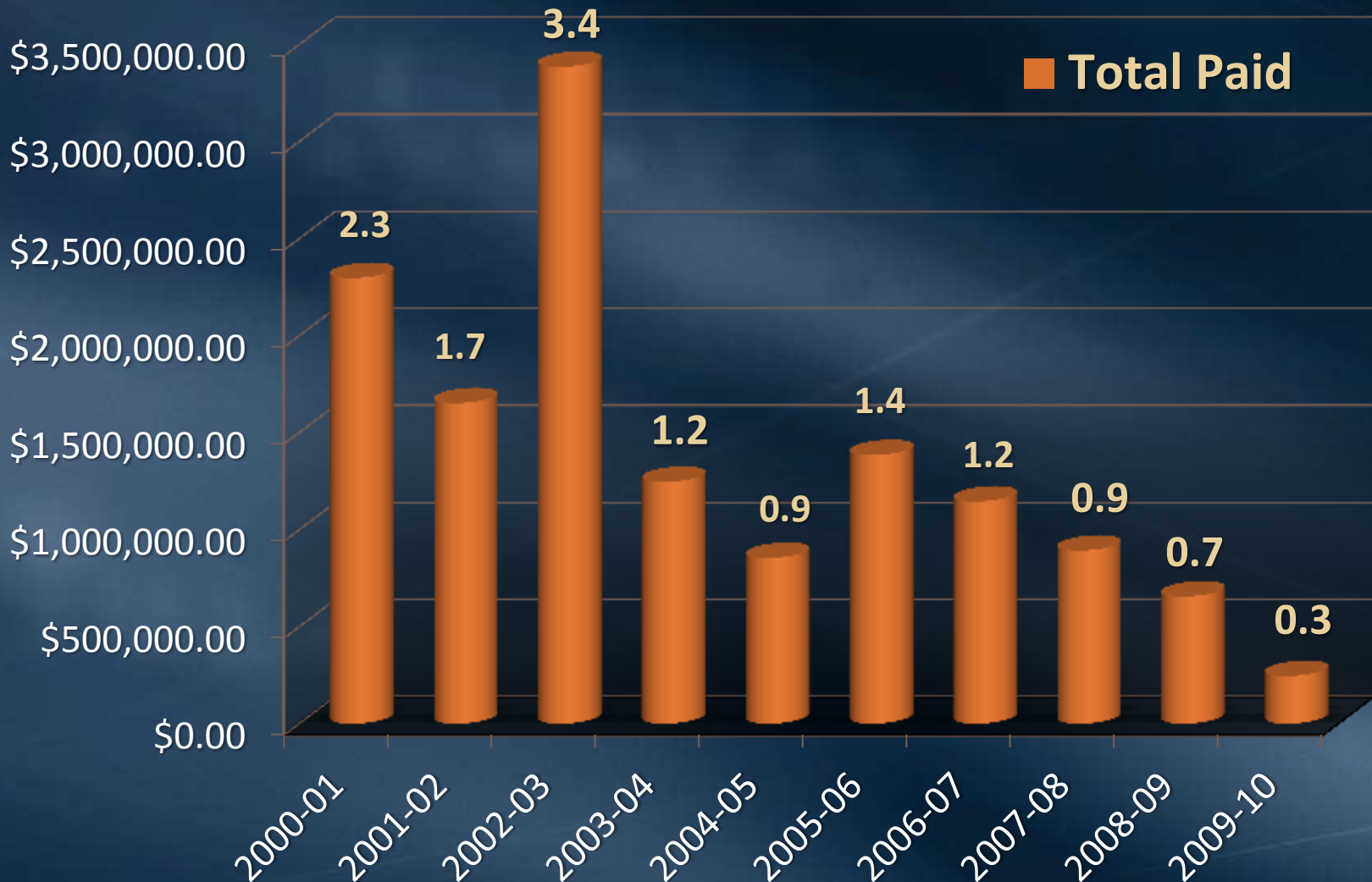
All years - as of 3/31/10



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



# Finance & Insurance Committee

## Item 9-1

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

# Finance & Insurance Committee

Item 9-1

Summary

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