

TPU INSURANCE UPDATE

2020/ 2021

Where we Stand and the State of Insurance Markets

OVERVIEW OF INSURANCE TPU AND THE MARKETPLACE

❖ Update on Current Insurance Coverages:

- Property and Casualty
- Rail Rolling Stock
- Public Officials and Employment Practices
- Excess Liability – Power and Water
- Rail Liability

❖ Insurance Marketplace Developments

PROPERTY INSURANCE STATUS

TPU Property Insurance

Insurance Provider	Insurance Term Ending	Insured Value		Limit per Occurrence	Deductible (Retention)	Premium		Rate per \$1K	
		Prior Yr	Current Yr			Prior Yr	Current Yr	Current Yr	Increase
PEPIP ^	06/30/21	\$634 M	\$621 M	\$150 M	\$250 K *	\$500 K	\$571 K	0.0919	16%

Notes:

^ Public Entity Property Insurance Program

* Schedule of property loss coverage varies by type of property and type of damage though this covers most risks

RAIL ROLLING STOCK INSURANCE STATUS

Rail Rolling Stock								
Insurance Provider	Insurance Term Ending	Insured Value		Total Loss Limit	Deductible (Retention)	Premium		Rate per \$1K Increase
		Prior Yr	Current Yr			Prior Yr	Current Yr	
AGCS Marine Insurance Co.	06/30/21	\$11.9 M	\$11.3 M	\$2.4 M	\$75 K	\$32.5 K	\$31.8 K	3.0%
<p><u>Notes:</u></p> <p>Policy separate from TPU Property and Casualty Insurance for Rail rolling stock</p>								

PUBLIC OFFICIALS & EMPLOYMENT PRACTICES INSURANCE STATUS

Public Officials and Employment Practices Liability

Insurance Provider	Insurance Term Ending	Excess Liability Level		Self-Ins. Retention per Occurrence	Premium		Premium Increase
		Occurrence	Aggregate		Prior Yr	Current Yr	
Western World Insurance Co.	11/30/21	\$2.25 M	\$5.0 M	\$250 K	\$217 K	\$231 K	6%

Notes:

Liability limits increased over prior policy in conjunction with self-insured retention increase in excess liability

EXCESS LIABILITY INSURANCE STATUS

TPU Liability

TPU Division	Insurance Provider	Insurance Term Ending	Excess Liability Level		Self-Insured Retention		Premium		Premium Increase
			Prior Yr	Current Yr	Prior Yr	Current Yr	Prior Yr	Current Yr	
Power and Water	Six Carriers share coverage	11/30/21	\$60 M	\$55 M	\$1.5 M	\$2.5 M	\$956 K	\$1,203 K	26%
Key Exclusions									
<u>Liability Limits:</u>									
Wildfire			\$35 M	\$15 M					
Lead in Water			\$25 M	\$25 M					
Hydro Dams			\$45 M	\$30 M					

RAIL LIABILITY INSURANCE STATUS

Rail Liability							
Insurance Provider	Insurance Term Ending	Excess Liability Level		Self-Ins. Retention per Occurrence	Premium		Premium Increase
		Occurrence	Aggregate		Prior Yr	Current Yr	
Four Carriers share coverage	11/30/21	\$50 M	\$100 M	\$1.0 M	\$543 K	\$861 K	58.6%

INSURANCE MARKETPLACE AND TRENDS

- **Insurer Loss Trends and Low Investment Income**
- **Insurance Market Strain**
 - Nuclear Verdicts
 - COVID-19 Claims
 - Civil Unrest
 - Reviver Statute Legislation
 - Active Hurricane Season
 - Escalating Reinsurance Costs
- **Social Inflation** – increased litigation and award escalation

INSURANCE MARKET FACTORS AFFECTING MUNICIPALITIES

- **Law Enforcement Liability** – challenging market
- **Higher Municipal Liability plus Increasing Awards**
- **Joint and Several Liability** – Municipality deep pocket perception
- **Rising Legal Defense Costs**
- **Municipalities are Increasing Targets for Liability**
- **No Washington Tort Immunity**

MARKET IMPACTS ON TPU INSURANCE

- Insurance Underwriting Scrutiny
- Insurers more selective on Risks; affecting:
 - Pricing
 - Deductibles
 - Coverage Terms
 - Limits and Exclusions (wildfire, lead, dams)
 - Offerings
 - One WA insurer announced it will no longer cover municipalities in WA – doesn't affect Tacoma
 - TPU Liability \$5 million coverage reduction

TPU INSURANCE UPDATE

Questions or Comments?

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