JEFFERSON COUNTY
BOARD OF COUNTY COMMISSIONERS

REGULAR AGENDA REQUEST

TO: **Board of County Commissioners**

FROM: **Mark McCauley, County Administrator**

DATE: **August 8, 2022**

SUBJECT: **Briefing: 2022 Washington Counties Risk Pool (WCRP) Insurance Premium Increases**

STATEMENT OF ISSUE: The insurance market has been becoming more difficult in recent years due to a variety of factors. This has caused significant rate increases in our various insurance premiums for liability, property, crime and cyber coverages. 2022 is proving to be no different.

ANALYSIS: Staff wishes to brief the Board of County Commissioners on 2022 insurance premium increases that will become due when we are invoiced by WCRP in the very near future. These premium increases will be paid out of General Fund Non-departmental initially. The County Auditor will then allocate the cost to the various departments that benefit from the insurance coverages.

The attached spreadsheet shows premiums paid in 2021 and expected increases for 2022.

The attached briefing slides explain why premiums are increasing at such a fast rate.

FISCAL IMPACT: This request has no fiscal impact.

RECOMMENDATION: That the Board of County Commissioners listen to the briefing and then ask questions or comment.

REVIEWED BY:

(for)
Mark McCauley, County Administrator

8/4/22
Date

2022 Washington Counties Risk Pool Expected Premium Increases

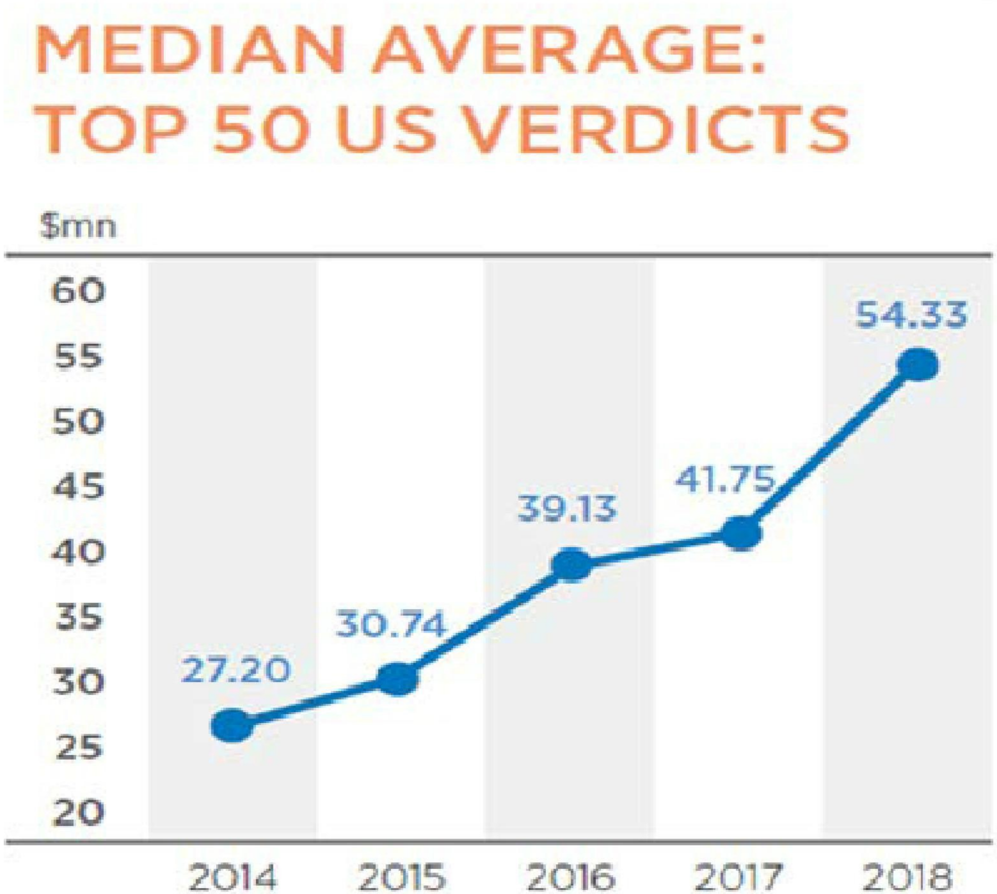
	2021	% Increase	Cost Increase	2022
Liability	$556,127	40%	$222,451	$778,578
Property	$266,645	12%	$31,997	$298,642
Cyber	$20,471	17%	$3,480	$23,951
Crime	$1,181	7%	$83	$1,264
Total	$846,445		$258,011	$1,104,457

Terrorism $ 1,577 no data

Note: costs are distributed by the Auditor after payment

Liability Renewal

Market Update



Source: Shaub, Ahmuty, Citrin & Spratt. https://mvvsp1.5gcdn.net/eac2fddf5b9b403c84c35ebc1bf20320

- Since March Board meeting, hot spots are only hotter:
  - Social Inflation/High Jury Awards/Nuclear Verdicts/Aggressive Plaintiff Attorneys/Covid Delays
- Markets concern w/ Inflation, Investment Income & Underwriting Profits.
- Fewer carriers writing Pools in Washington State.
  - We have engaged with all 7 of the carriers and wholesale markets too.
- You may recognize this chart from our March Board presentation. An update: In 2019, the median value of the top 50 US Verdicts is estimated to be $88M – a 62% over 2018.

Social Inflation and the WCRP

Policy Year	Allegation	Incurred 3/2021	Incurred 3/2022	Difference
2012	Negligent Handling	$950,000	$1,361,620	$411,620
2013	Civil Rights	$315,000	$1,150,000	$835,000
2015	Excessive Force	$1,200,000	$2,000,000	$800,000
2015	Negligent Supervision	$52,500	$3,250,000	$3,197,500
2017	Excessive Force	$350,000	$3,750,000	$3,400,000
2018	Excessive Force	$50,100	$1,125,000	$1,074,900
2018	Negligent Handing	$75,100	$3,700,000	$3,624,900
2018	Discrimination	$975,000	$2,250,000	$1,275,000

- 28 claims are now valued over $1M compared to 20 last policy term.
- 10 claims valued over $2M compared with 7 last policy term.
- Total incurred = $83,940,555 compared to $65,324,950 a year ago.

Liability Marketing

Incumbent Market	Response
Ace/Chubb	$3M XS $2M - Declined
Ace/Chubb	$2M XS $3M – Quoted $5M XS $5M/50% Quota Share - Quoted
Old Republic	$5M XS $5M – Quoted $5M XS $5M/50% Quota Share – Pending $5M XS $10M - Pending $10M xs $10M/50% Quota Share – Quoted
AWAC	$10M xs $10M/50% Quota Share - Quoted
Hallmark	Optional $5M XS $20M - Pending

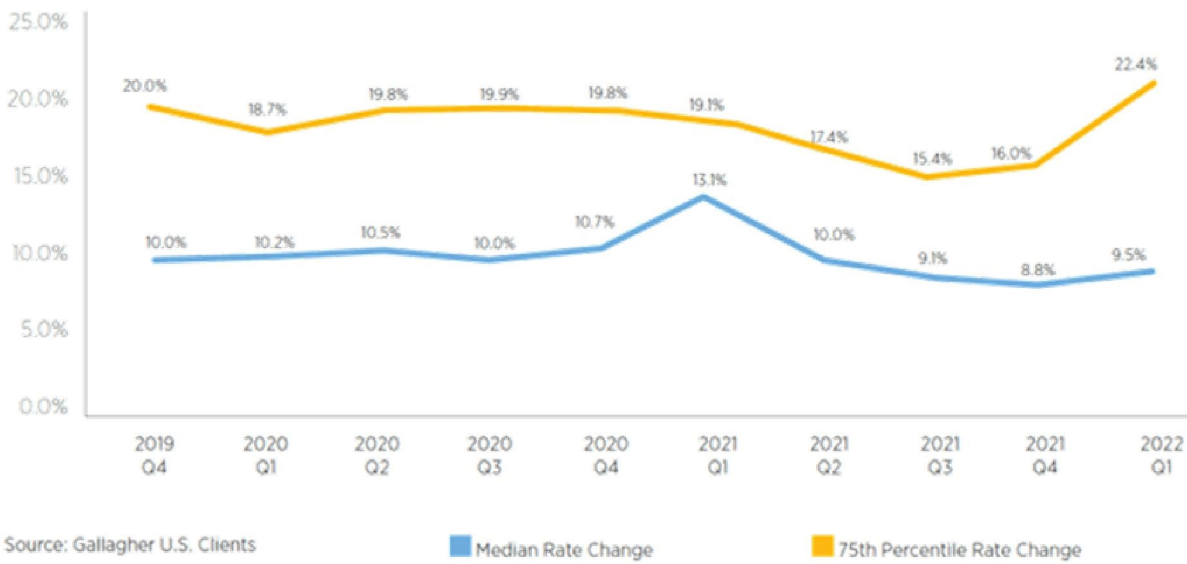
Competing Market	Response
Safety National	$3M XS $2M - Declined
Safety National	$2M XS $3M - Pending
Great American	$5M XS $5M/50% Quota Share - Not Competitive
MunichRe	$5M XS $5M - Declined
Genesis	$5M XS $5M/50% Quota Share – Can't compete with Old Republic's pricing
GallagherRe	$5M XS $5M – Can't compete w/ Old Republic's pricing
London	$10M XS $10M/50% Quota Share - Pending
Everest Re	$5M XS $15M - Pending
Upland	$5M XS $15M - Pending

Competing Market	Response
Brit Global Specialty Markel Argonaut	No longer writing Public Entity/Pools/or in Washington State

Property Renewal

Market Update

Property Rate Trends Q4 2019 – Q1 2022



Source: Gallagher U.S. Clients

Global storm activity

- Wildfires, Freeze Events, Hurricanes, Tornadoes, Earthquakes

Inflation

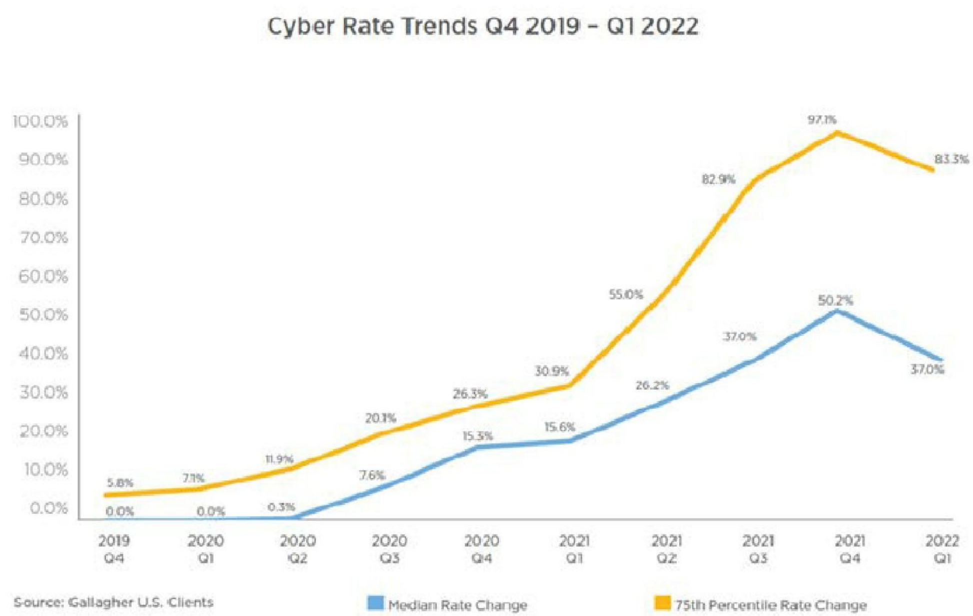
- Trending Property values
- Cost of repairs (supply chain delays, cost of labor) = increased claim costs

Carriers

- Lexington replaced on the primary due to pricing
- RSUI, LSMA, James River & Hiscox no longer writing

Cyber Renewal

Market Update



Underwriting Discipline

– Data security controls
– WCRP proactive approach

Retentions/Limits/Premiums

– Mandatory sublimits for ransom payments becoming commonplace
– Reduction to overall policy aggregate limit

Carriers

– Few choices in Public Sector
– Quoting come September

Gallagher

Cyber Renewal

	Expiring 2021/2022	Renewal 2022/2023
Limit	$2M/$5M	TBD
Retention	$250,000	TBD
Premium	$195,885	TBD

Crime Renewal

	Expiring 2021/2022	Renewal 2022/2025*
Limit	$2,000,000	$2,000,000
Retention	$25,000	$25,000
Premium	$40,057	$43,000*

*estimate - Crime Carrier proposing a three year policy term

Standalone Terrorism Renewal

Property	Expiring 2021/2022	Renewal 2022/2023
Limit	$100,000,000	$100,000,000
Retention	$10,000	$10,000
Premium	$20,543	$23,118

Liability	Expiring 2021/2022	Renewal 2022/2023
Limit	$25,000,000	$25,000,000
Retention	$0	$0
Premium	$16,530	$18,000

Funding adequacy

Historical net position versus risk capital target