



Finance and Asset Management Committee

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

Item 7-4

June 11, 2024

Item 7-4

# Renewal of MWD's Property & Casualty Insurance Program

## Subject

Renewal of Metropolitan's Property and Casualty Insurance Program

## Purpose

Review the Current Property and Casualty Insurance Program and obtain Board approval to renew and replace coverages

# Metropolitan's Property and Casualty Insurance Program

## Review

Review the Current Program

Provide Cost Estimates for this year's Insurance Renewal

# Metropolitan's Property and Casualty Insurance Program

## Review

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 Coverage

# Metropolitan's Property and Casualty Insurance Program

## Claims Programs

### Liability & Property

Risk Management Unit

Third Party Claims Administrator

MWD General Counsel

### Workers' Compensation

Workers' Compensation/Benefits Section

Third Party Claims Administrator

MWD General Counsel

# Metropolitan's Property and Casualty Insurance Program

## Excess Insurance

General Liability	\$75 million
Workers' Compensation	Statutory
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

<b>Excess Coverage</b>	<b>SIR</b>	<b>AEGIS 1<sup>st</sup> Layer</b>	<b>EIM 2<sup>nd</sup> Layer</b>	<b>Coverage Limits</b>
<b>General Liability</b>	<b>25</b>	<b>35</b>	<b>40</b>	<b>100</b>
<b>Fiduciary Liability</b>	<b>25</b>	<b>35</b>	<b>25</b>	<b>85</b>
<b>Directors &amp; Officers Liability</b>	<b>25</b>	<b>25</b>	<b>40</b>	<b>90</b>

Associated Electric & Gas (AEGIS)  
Energy Insurance Mutual (EIM)  
Self-Insured Retention (SIR)

# Metropolitan's Property and Casualty Insurance Program

## Periodic Review

*Periodic review of self-insured retention and excess coverage limits to ensure appropriate levels*

- Actuarial Study, Insurance Broker and Staff Reviews
- Metropolitan's operations and risks remain stable
- Embedded safety programs in operations
- Environmental, Health & Safety training and monitoring
- Claims Management Programs
- Access to Capital

# Metropolitan's Property and Casualty Insurance Program

## Specialty Insurance

Aircraft Liability	\$25 million
Aircraft Hull	Assessed Value
Property Damage	Assessed Value
Crime	\$5 million
Special Risk *	\$5 million
Travel Accident *	\$250,000

\* 3-year coverages last purchased FY 2022/2023

# Metropolitan's Property and Casualty Insurance Program

## 2024/25 Outlook

10.6% Overall Cost Increase

Factors Driving Expected Cost Increase

- Continued post Pandemic inflation
- Ukraine-Russia and Middle East military conflicts
- Climate change fueled mega-catastrophic weather events such as extreme storms and historic wildfires
- Domestic and Global political and social unrest

Total Policy Renewal is estimated to increase from

**\$1.838 million**

**\$2.032 million**

# Metropolitan's Property and Casualty Insurance Program

Excess Insurance Premiums (in dollars)

Coverage Type	2023/24 Actual	2024/25 Quoted & Estimated	2024/25 Quoted & Estimated % Change
General Liability	1,180,313	1,314,290	20%
Fiduciary and Employee Benefit Liability	96,989	96,989	0%
Public Officials Directors & Officers Liability	323,075	350,812	9%

# Metropolitan's Property and Casualty Insurance Program

Excess Insurance Premiums (in dollars)

Coverage Type	2023/24 Actual	2024/25 Quoted & Estimated	2024/25 Quoted & Estimated % Change
Workers' Compensation - CA	127,977	133,701	5%
Workers' Compensation - DC	1,167	1,198	3%

# Metropolitan's Property and Casualty Insurance Program

Excess Insurance Premiums (in dollars)

Coverage Type	2023/24 Actual	2024/25 Quoted & Estimated	2024/25 Quoted & Estimated % Change
Aircraft Hull & Liability	89,735	116,295	30%
Crime	11,401	9,866	(14%)
Property *	7,350	9,000	22%

\* Premium not to exceed estimate based upon market indication and standalone coverage for three structures previously damaged by fire

# Metropolitan's Property and Casualty Insurance Program

## Option 2 – Addition of Cyber Liability

### Some Coverage Features Include:

- Privacy and Network Security Liability
- System and Data Recovery
- Business Interruption
- Media Liability
- Regulatory Fines and Penalties
- Reputation Harm
- Estimated Premium Cost Not to Exceed \$225,000

# Metropolitan's Property and Casualty Insurance Program

Excess Insurance Premiums (in dollars)

Coverage Type	2023/24 Actual	2024/25 Quoted & Estimated	2024/25 Quoted & Estimated % Change
Cyber Liability *	0	225,000	100%

\* Option 2 - Addition of Cyber Liability and premium not to exceed estimate based upon market indications

# Metropolitan's Property and Casualty Insurance Program

Excess Insurance Premiums (in dollars)

Options	Coverage Type	2023/24 Actual	2024/25 Quoted & Estimated	2024/25 Quoted & Estimated % Change
Option 1	Renewal without Cyber Liability	\$1,838,217	\$2,032,151	11%
Option 2	Renewal with Cyber Liability	NA	\$2,257,151	23%

# Metropolitan's Property and Casualty Insurance Program

## Premium Comparison by Fiscal Year

<b>Actual 2019/20</b>	<b>Actual 2020/21</b>	<b>Actual 2021/22</b>	<b>Actual 2022/23</b>	<b>Actual 2023/24</b>
<b>\$ 1,181,848*</b>	<b>\$ 1,308,608</b>	<b>\$ 1,543,787</b>	<b>\$ 1,715,308*</b>	<b>\$ 1,838,217</b>
		<b>Estimated 2024/2025</b>	<b>\$ 2,257,151</b>	

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

# OPTIONS

**Option #1** Approve up to \$2.032 million to renew excess and specialty insurance coverages.

**Impact** The anticipated \$2.032 million premium cost for FY 2023/24 would result in a \$194,000 cost increase compared with a \$177,950 premium cost increase for FY 2022/23.

# OPTIONS

## Option #2

Approve up to \$2.257 million to renew excess and specialty insurance coverages and include the addition of Cyber Liability with an estimate premium not to exceed \$225,000.

## Impact

The anticipated \$2.257 million premium cost for FY 2024/25 would result in an approximate \$419,000 increase compared with the \$1.838 million premium cost for FY 2023/24.

# Staff Recommendation

## Option #2

Approve up to \$2.257 million to renew excess and specialty insurance coverages and add Cyber Liability coverage.

