



SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

# SDRMA Spring Education Day

MARCH 3, 2021

# Welcome

## Spring Education Agenda Review

*Laura S. Gill, ARM, ARM-P, CSDM - Chief Executive Officer*

- ✦ Live Presentations (Wednesday)

  - Annual Membership Meeting

  - Special District Leadership Foundation Recognitions

  - Keynote Presentation (Adam Coughran)

- ✦ Live Safety Specialist Certification Program (Wednesday/Thursday)

- ✦ On-Demand Sessions (Today through March 19)

  - Property/Liability Track

  - Workers' Compensation Track

# EDUCATION/TRAINING OPPORTUNITIES

## ✦ Credit Incentive Program (CIP)

- *Earning points reduces your Agency's annual contributions for both Property/Liability and Workers' Compensation Programs*

## ✦ Cost-Effective Training Opportunities

- *Webinars with CSDA – **FREE in 2021***
- *Online Training with CSDA*

## ✦ TargetSolutions - free online training/tools

## ✦ Combined CSDA Annual Conference / SDRMA Fall Education Day

- *August 30 – September 2 – Monterey (tentative)*
- *September 1 – SDRMA Hosts Breakfast and Super Session*

# 2021 Board Elections

✦ Four seats up for election

✦ Four-year term (2022 – 2025)

✦ Qualifications:

- Elected official or management employee of member agency
- Member agency must be a member of both PLP and WCP

✦ Nomination packets are available in MemberPlus

- “Notifications” tab
- Due to SDRMA office by May 3, 2021

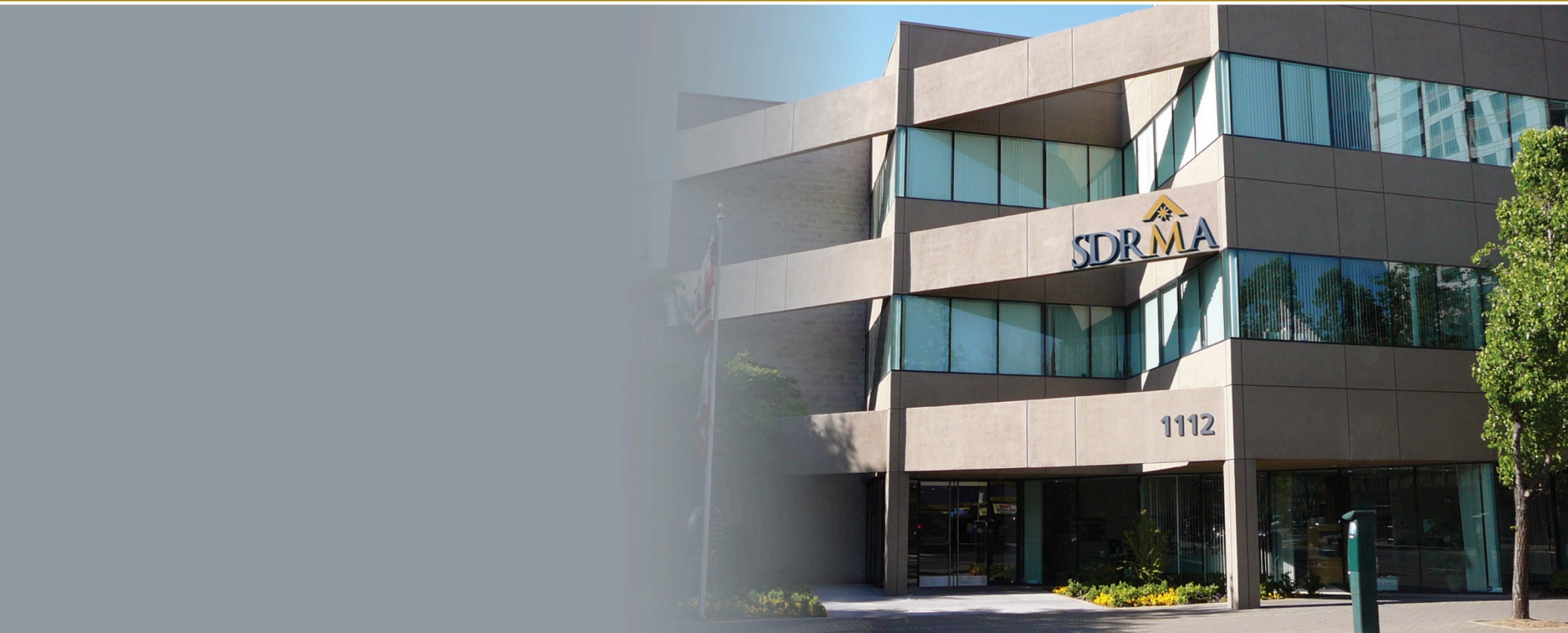
✦ Ballots available May 18 and must be returned by August 16



SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

# OPEN ANNUAL MEMBERSHIP MEETING

BOARD PRESIDENT, MIKE SCHEAFER



# ANNUAL MEMBERSHIP MEETING

## **SDRMA Board of Directors**

President Mike Scheafer – Costa Mesa Sanitary District

Vice President Sandy Raffelson - Herlong Public Utility District

Secretary Robert Swan - Groveland Community Services District

Director David Aranda, CSDM - Stallion Springs Community Svcs District

Director Jean Bracy, CSDM - Mojave Desert Air Quality Mgmt District

Director Timothy Unruh, CSDM – Kern County Cemetery District

Director Jesse Claypool – Honey Lake Valley Resource Conservation District

# ANNUAL MEMBERSHIP MEETING

## Comments from the Public

*At this time, members of the public may speak on any item not on the agenda with comments limited to five minutes per person. A maximum time limit of 20 minutes for all public testimony is permitted under this agenda item. The Board reserves the right to waive the foregoing time limits by a majority vote.*

*Comments & questions must be submitted through the Q & A tool at the bottom of the virtual platform screen.*

# MEETING TOPICS

- ✦ FY 2019-20 Board Action Highlights
- ✦ SDRMA Organizational Highlights
- ✦ Market Conditions
- ✦ Proactive Member Actions
- ✦ Financial Condition
- ✦ FY 2021-22 Rates
- ✦ Formation of Workers' Compensation Captive



# BOARD ACTION HIGHLIGHTS - 2020

## EXCELLENCE IN SAFETY AWARDS

### EARL F. SAYRE EXCELLENCE IN SAFETY AWARD

Property and Liability Program

- ★ Large Member: **Town of Discovery Bay Community Svcs District**
- ★ Small Member: **Orange County Cemetery District**

# BOARD ACTION HIGHLIGHTS - 2020

## EXCELLENCE IN SAFETY AWARDS

### MCMURCHIE EXCELLENCE IN SAFETY AWARD

Workers' Compensation Program

- ★ Large Member: **Midway City Sanitary District**
- ★ Small Member: **Gualala Community Services District**

# BOARD ACTION HIGHLIGHTS – 2020

## 2020-21 Rates

- Workers' Compensation – no change from FY 2019-20
- General & Auto Liability Coverages – 21% rate increase
  - Actual excess rate increase: 23% plus paying more claims upfront
  - Use of corridor – more funds paid directly for claims without reimbursement from excess carrier
- Property – 20% rate increase
  - Actual excess rate increase: 25% plus lower capacity

# BOARD ACTION HIGHLIGHTS – 2020

## ✦ Longevity Distribution

- Workers' Compensation - \$563,961 (11 years in a row)
- Property/Liability – none

## ✦ Welcomed 12 new members and groups

# SDRMA HIGHLIGHTS

- ★ Received ***Unqualified Opinion*** for 2018-19 and 2019-20 Financial Audits
- ★ Loss Prevention Allowance Fund – Reimbursed 85 members up to \$1,000/year per member
  - ★ PLP: \$31,875
  - ★ WCP: \$41,794
- ★ Received ***CAJPA Accreditation with Excellence*** reflecting quality of pool management and commitment to high standards
- ★ Maintained 97% membership retention rate
- ★ Transitioned to paperless correspondence to membership
- ★ Provided important COVID-19 information through MemberPlus



# MARKET CONDITIONS

## BOARD PRESIDENT'S MESSAGE: FY 2019-20 ANNUAL REPORT

As **natural disasters** continue to occur worldwide and **significant jury verdicts and settlements** are being awarded at record levels, the **insurance market faces challenges** that impact all of us. Meanwhile, the emergence of **COVID-19** have affected our members' **service delivery** while underscoring the importance of **worker safety**.



# MARKET CONDITIONS

## PROPERTY/LIABILITY

### HARD MARKET VERSUS SOFT MARKET

#### Soft Market:

- Marked by high availability of insurance relative to demand
- Competition leads to downward pressure on premiums and availability of more extensive coverage

#### Hard Market:

- Marked by limited availability of insurance relative to demand
- Leads to increased premiums and lower availability of coverage

Prior to 2018 – soft market

**2018 to present – hard market (and getting harder)**



# MARKET CONDITIONS

## PROPERTY

2020 EXCESS RENEWAL “ONE OF THE TOUGHEST” IN POOL HISTORY

Climate Change increasing number/cost of property losses

- Changing weather patterns
- Increased intensity of storms, droughts

Historic natural disasters = “unprofitable” insurance industry

- Hurricanes
  - More of the same in 2020 – 30 Named storms
- 2018 California Wildfires
- Thunder/Windstorms
  - August 2020 – Lightning strikes caused hundreds of CA wildfires
  - January 2021 – CA windstorms and heavy rains over burn scars



# MARKET CONDITIONS

## PROPERTY

2020 EXCESS RENEWAL “ONE OF THE TOUGHEST” IN POOL HISTORY

“More severe rate increases”

- Any loss experience
- Significant natural catastrophe exposure

# MARKET CONDITIONS

## LIABILITY

2020 EXCESS RENEWAL “ONE OF THE TOUGHEST” IN POOL HISTORY

### Historic jury awards and settlements

- Sexual abuse/molestation
  - Two class action suits awarded over \$700 million
- Police shootings/Social unrest
  - Two police excessive force cases in CA (Sept 2020 and Dec 2020)
- Dangerous condition/Vehicle accidents
  - WA case (vehicle v. ambulance) awarded \$66 million
- Dangerous condition/Tree limb
  - Three cases in CA - average settlement estimated at over \$10 million

# MARKET CONDITIONS

## LIABILITY

2020 EXCESS RENEWAL "ONE OF THE TOUGHEST" IN POOL HISTORY

### Cybersecurity Breaches

- Phishing and ransomware becoming more prevalent against governments
- Emerging trends: Fraudulent instruction and impersonation fraud
  - Combat with strong internal controls

# MARKET CONDITIONS

## LIABILITY

2020 EXCESS RENEWAL "ONE OF THE TOUGHEST" IN POOL HISTORY

Uncertainty of COVID impacts

- Business interruption coverage may be limited or excluded

"Frequency of Severity"

Claims Incurred Over \$1 Million		
Fiscal Years 2011 - 2020		
Fiscal Year	# claims	Amt Incurred
2010-11	-	\$ -
2011-12	1	\$ 1,725,000
2012-13	1	\$ 1,474,163
2013-14	3	\$ 4,365,185
2014-15	4	\$ 24,237,552
2015-16	6	\$ 23,725,116
2016-17	1	\$ 7,501,235
2017-18	2	\$ 14,303,936
2018-19	2	\$ 2,125,000
2019-20	-	\$ -

# MARKET CONDITIONS

## PROPERTY/LIABILITY

2020 EXCESS RENEWAL “ONE OF THE TOUGHEST” IN POOL HISTORY

Excess insurance carriers exiting CA market

- Less insurance capacity (limits)
- Less competition = higher prices
- “Paying more money for less coverage”

# MARKET CONDITIONS

## WORKERS' COMPENSATION

CONTINUED STABILITY IS A BRIGHT SPOT

### Trends to watch

- Treatment of COVID-19 claims may impact market
- More remote workers residing outside of CA
- Historically low interest rates = low investment income
  - Could put pressure on rates in the future

# PROACTIVE MEMBER ACTIONS

## ★ Cybercrime

- Prepare for possible data breach
- Review internal controls
- Never send funds based on an email even from a source you think is legitimate. Always call to confirm the sender and banking information.
- Implement Positive Pay
- Prohibit publication of financial information online
  - Agenda items are a gold mine for cybercriminals

# PROACTIVE MEMBER ACTIONS

## ★ Contract Indemnification

- Review contracts to ensure that risk is appropriately transferred
- Be sure that vendor/contractor adds agency as an additional insured

## ★ Include all property in renewal information

- Provide accurate current value for all property and building contents
- Cannot pay claims for unscheduled property



# Loss Prevention member visits

## ✦ **New Members**

- Loss prevention visit will be scheduled

## ✦ **Based on a Member's Loss History**

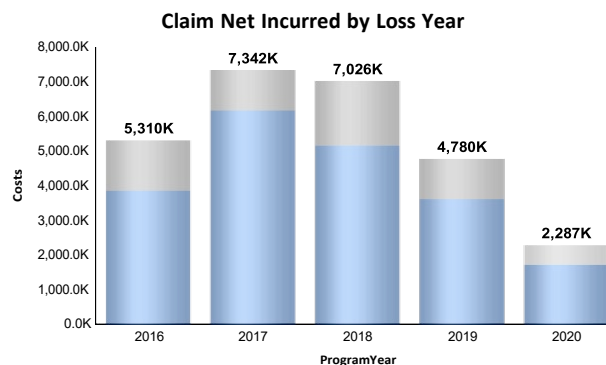
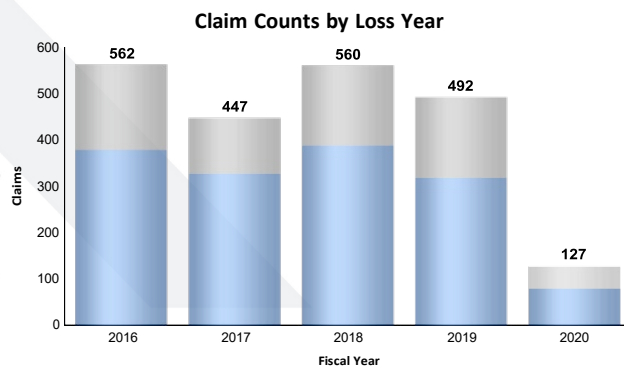
- Loss prevention visit may be scheduled to assist Member in preventing or reducing future claims
- Visits made by either Chief Risk Officer or Certified Safety Professional

## ✦ **Specialized training at the Member's Request**

- Ergonomics
- Claim Reviews

# Claim Statistics through December 2020

## PROPERTY AND LIABILITY PROGRAM



Gray – Property; Blue – Liability

- ★ 2020 Program year illustrates “Frequency of Severity”
  - Number of reported claims down by 35% over same period in 2019
  - Total incurred more than doubled

# Claim Statistics through December 2020

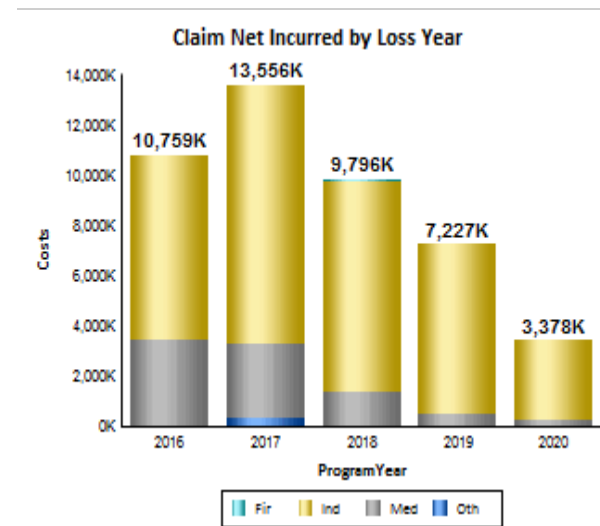
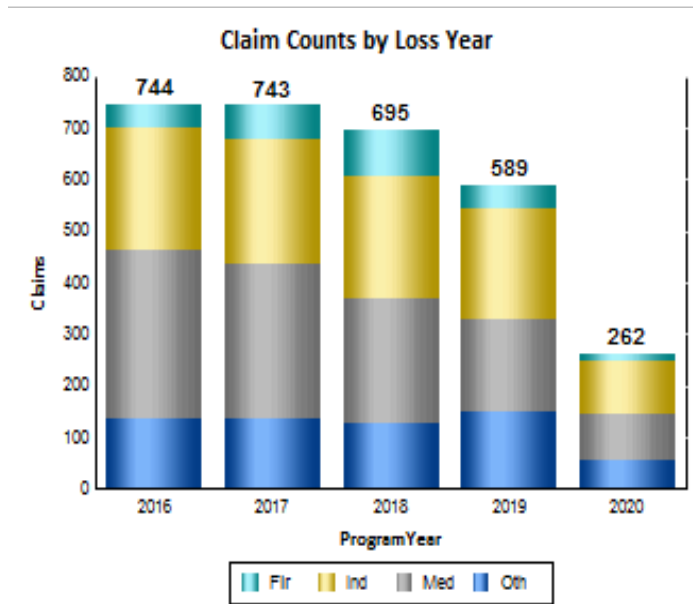
## PROPERTY AND LIABILITY PROGRAM

Coverage Line	FY 2020-21 Through 12/31/2020			FY 2019-20 Through 12/31/2019		
	Claims	Incurred	Severity	Claims	Incurred	Severity
Auto Bodily Injury	0	\$ -	\$ -	3	\$ 77,100	\$ 25,700
Auto Property - Collision	13	\$ 41,263	\$ 3,174	20	\$ 123,373	\$ 6,169
Auto Property - comp	10	\$ 35,752	\$ 3,575	5	\$ 10,960	\$ 2,192
Auto Property Damage	15	\$ 31,815	\$ 2,121	21	\$ 82,980	\$ 3,951
Bodily Injury	12	\$ 652,891	\$ 54,408	7	\$ 72,100	\$ 10,300
Catatrophic Loss	1	\$ 2,010,000	\$ 2,010,000	0	\$ -	\$ -
Employees/Public Officials						
Dishonesty	0	\$ -		1	\$ 200	\$ 200
Errors & Omissions	4	\$ 220,500	\$ 55,125	1	\$ 25,100	\$ 25,100
Employment Practices	0	\$ -		2	\$ 102,500	\$ 51,250
High Dollar Vehicles	1	\$ 16,000	\$ 16,000	9	\$ 148,021	\$ 16,447
Mobile/Contractors Equipment	2	\$ 63,679	\$ 31,840	0	\$ -	\$ -
Property	22	\$ 456,179	\$ 20,735	39	\$ 360,494	\$ 9,243
Property Damage	47	\$ 1,231,437	\$ 26,201	88	\$ 711,385	\$ 8,084

**Note: The catastrophic loss claim was subsequently remitted to FEMA and CalOES.**

# CLAIM STATISTICS THROUGH DECEMBER 2020

## WORKERS COMPENSATION PROGRAM



- ★ The first half of FY 2020-21 shows a decrease in reported claims and increase in total incurred
  - Likely due to COVID pandemic – limited modified duty available

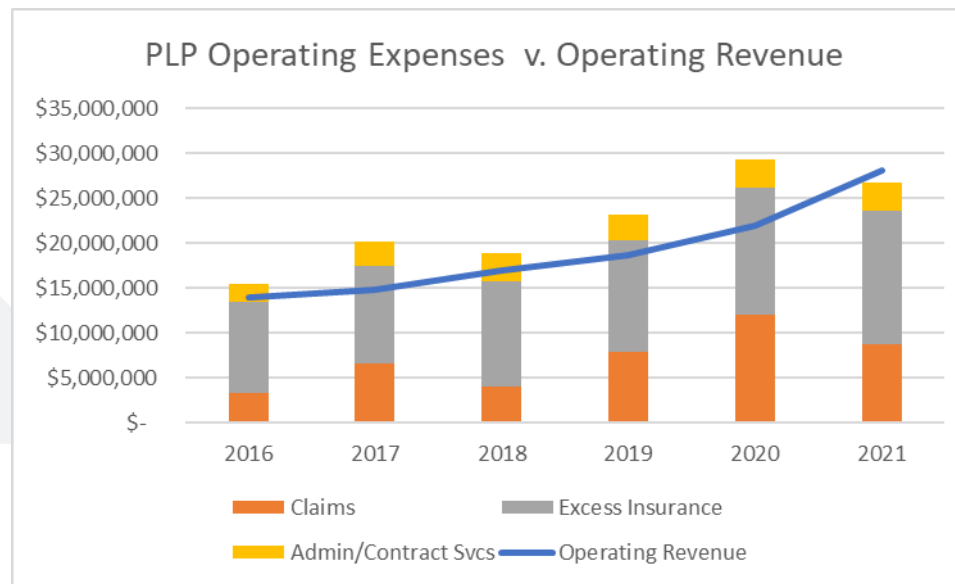
# Claim Statistics through December 2020

## WORKERS' COMPENSATION PROGRAM

Coverage Line	FY 2020-21 Through 12/31/2020			FY 2019-20 Through 12/31/2019		
	Claims	Incurred	Severity	Claims	Incurred	Severity
Absorption/Exposure	16	\$ 426,809	\$ 26,676	24	\$ 10,437	\$ 435
Animal/Insect Bite	11	\$ 77,320	\$ 7,029	17	\$ 2,829	\$ 166
Body Part Caught	8	\$ 117,131	\$ 14,641	11	\$ 31,393	\$ 2,854
Burns	2	\$ -	\$ -	3	\$ 1,109	\$ 370
Cut/Laceration	17	\$ 27,123	\$ 1,595	26	\$ 45,975	\$ 1,768
Foreign Object in Eye	5	\$ 7,523	\$ 1,505	4	\$ 5,410	\$ 1,353
Lifting/Reaching/Pulling	44	\$ 713,945	\$ 16,226	56	\$ 469,398	\$ 8,382
Motor Vehicle Accident	8	\$ 302,022	\$ 37,753	12	\$ 65,231	\$ 5,436
Other	42	\$ 741,879	\$ 17,664	57	\$ 290,651	\$ 5,099
Repetitive Motor Injury	8	\$ 301,260	\$ 37,658	8	\$ 214,421	\$ 26,803
Slip/Trip/Fall	35	\$ 310,256	\$ 8,864	46	\$ 256,895	\$ 5,585
Strain-Repetitive Motion	9	\$ 128,791	\$ 14,310	10	\$ 54,196	\$ 5,420
Strike-Sand/Scrape/Clean	0	\$ -	\$ -	1	\$ 8,436	\$ 8,436
Struck By Object	23	\$ 57,836	\$ 2,515	52	\$ 191,607	\$ 3,685
Unknown	34	\$ 166,105	\$ 4,885	0	\$ -	\$ -

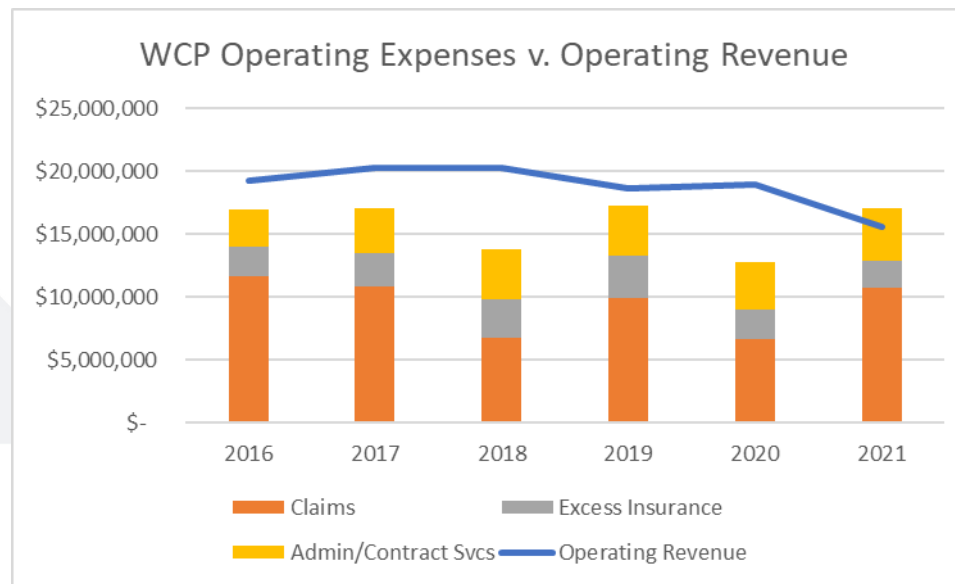
# Financial Trends

## Property/Liability Program FY 2016 – FY 2021



# Financial statistics

## Workers' Compensation Program – FY 2016 – FY 2021



# FY 2021-22 RATE OUTLOOK

## PROPERTY/LIABILITY FUND

### RATE METHODOLOGY UPDATE

- Review of algorithms used for rate calculation to ensure that they reflect recent pool experience
- Board will review rate policy at its March meeting

### EXCESS CARRIER ESTIMATES

- Property excess insurance: 20% to 30% increase
- General Liability excess insurance: 35% increase

### IMPACT ON MEMBER CONTRIBUTIONS

- Estimates will be provided after March 24



# FY 2021-22 RATE OUTLOOK

## WORKERS' COMPENSATION FUND

### RATE METHODOLOGY UPDATE

- Review of loss ratios by class code to ensure that each class code rate reflects recent pool experience
- Board will review rate policy at its March meeting

### EXCESS CARRIER ESTIMATES

- Excess insurance: Flat for FY 2021-22

### IMPACT ON MEMBER CONTRIBUTIONS

- Estimates will be provided after March 24

# WORKERS' COMPENSATION CAPTIVE

Issue: Low investment earnings due to low interest rates and restrictive investments

**SOLUTION:      FORMATION OF SINGLE PARENT CAPTIVE –  
SPECIAL DISTRICT REINSURANCE GROUP**

- Will handle workers' compensation claims on a "go-forward" basis effective July 1, 2021
- Domiciled in Utah
- Using experience of other CA risk pools
- SDRG Board:
  - Three SDRMA Board Members
  - SDRMA Chief Executive Officer
  - SDRG Captive Attorney



## **Close Annual Membership Meeting**

Board President  
Mike Scheafer

# Final Comments

## THANK YOU FOR YOUR MEMBERSHIP

- Property/Liability: 498 members
- Workers' Compensation: 425 members
- Health Benefits: 145 participating groups

## HEALTH BENEFITS PROGRAM

- Medical (public agencies with up to 250 employees)
- Ancillary (public agencies with up to 50 employees)
  - Dental
  - Vision
  - EAP
  - Life/Short- & Long-Term Disability

## THANK YOU TO CSDA TEAM

