



Self Insurance Study

Board of Directors Meeting

March 25, 2021

Property Insurance Premium

	2016	2017	2018	2019	2020
Premium	\$ 179,596	\$ 766,682	\$ 838,484	\$ 954,916	\$ 1,286,497
Increase		\$ 587,086	\$ 71,802	\$ 116,432	\$ 331,581
Deductable	\$ 5,000	\$ 500,000	\$ 500,000	\$ 1,000,000	\$ 1,500,000
Period	7/1/16 - 6/30/17	7/1/17 - 6/30/18	7/1/18 - 6/30/19	7/1/19 - 6/30/20	7/1/20 - 6/30/21

- Shoreway Fires September 2016 (\$8.7M claims paid)
- MRF Class of Business--Increased Risk
- Many Carriers Declining to Offer Quote
- Over 30 Carriers Declined during 2020 Renewal

Self Insurance

Risk management technique in which a company sets aside a pool of money to be used to remedy an unexpected loss

- Provides a premium cost savings or a level of coverage where traditional coverage is not attainable in the marketplace
- **Self Insurance Measures Taken by the SBWMA**
 - Emergency Reserve - \$4.9M (projected)
 - Additional Reserved - \$320K (Increased deductible savings)
 - = \$5.2M currently available as a emergency reserve

PML & MPL Analysis

Probably Max Loss (PLM)

- **Fire incident - fire suppression equipment performs to extinguish fire**
 - Estimated MRF Damage = 5% with a calculated loss of \$1.5 million
 - Current Deductible = \$1.5 million

Maximum Possible Loss (MPL)

- **Fire incident – fire suppression equipment is not operable/fails to extinguish fire**
 - Estimated MRF and TS Damage = 85% to 100% loss
 - Calculated loss of \$70 million
 - Current Deductible = \$1.5 million
 - Current Coverage = \$60 million

Property Insurance Renewal Outlook

Negatives

- **Insurance Market continues to Harden:**
 - Multiple years of catastrophic events
 - California wildfire season industry projections
 - Turmoil in the US and globally (COVID-19, social upheaval)

Positives

- **2016 fire Insurance settlement:**
 - Additional insured parties may help reduce premium—recent settlement (Verlan)
 - SBR's insurance settled for \$3.75M / BHS insurance settled for \$148K
- **Risk Improvement Measures:**
 - Loss prevention plan
 - Independent third-party audit of the plan
 - Facility hardening (Battery capture machinery, Battery outreach campaigns, Battery collection improvements)

Coverage, Deductible and Risk

Engage Finance Committee (June 8)

- Evaluate insurance quotes
 - Request multiple quotes with varying coverage and deductibles
 - Provide guidance on the level of self-insurance
 - Provide guidance on reserve levels and reserve growth
 - Consider an annual aggregate deductible stop loss
 - Protects the insurance fund reserve from multiple losses in one policy year
 - Provide input on creating a “Captive”
 - Defined as an insurance company owned and controlled by its insured
 - Put own capital at risk
 - Benefits from own profitability
 - Access to reinsurance markets