



# Clay County School District Property and Casualty Renewal Update

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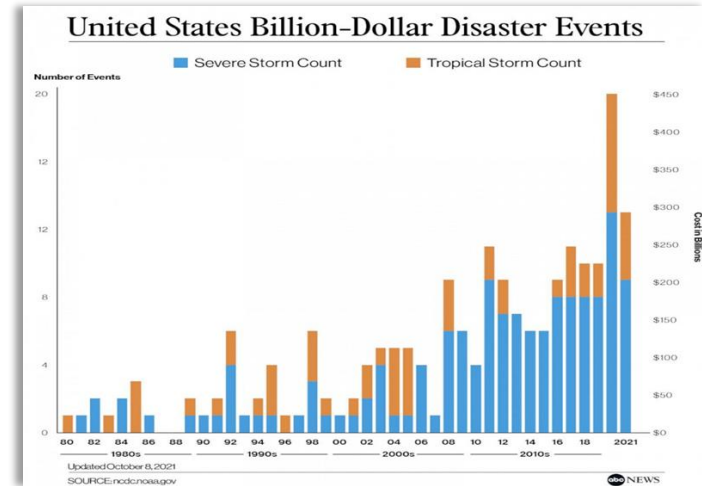
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## State of the Marketplace as of June 2023

### Unprecedented Influences Impacting the Market

- Risking storm frequency / losses
- Cyber threat
- Global supply chain disruptions
- Social inflation (nuclear verdicts)
- Environmental & Social Governance (ESG)
- Employment practices liability (#metoo, DEI, etc.)
- Workers Compensation (remote employees)
- Inflationary trends
- Distracted driving
- And more...



# Property Market Update

## Where we've been (through Q1 2023)

- **Q2 2023 marks the 22<sup>nd</sup> consecutive quarter of rate increases.**
- 2022 showed some **signs of stabilization** as property rates continued to increase at decelerating pace.
- **Hurricane Ian** has dashed any hope of that downward trend continuing into 2023.
- The **average estimate of insured losses** for Hurricane Ian by CAT modelers stands at **\$60B.**

### HURRICANE IAN

The following numbers are preliminary estimates of insured losses from catastrophic risk modelers. As reported by Verisk, the average insured losses from natural catastrophes over the past five years is \$100 billion. At the time of writing, the average estimate for Hurricane Ian is equal to \$60 billion. Hurricane Ian is already expected to exceed half of the \$100 billion average annual loss in a single event.

An RMS update on October 5, 2022 notes that Ian has the potential to be "one of the largest, if not the largest" insured catastrophe losses in U.S. history.<sup>9</sup>

Organization	Estimate (bns)	Date
Verisk	\$57	10/03/2022
Core Logic	\$53	10/07/2022
Fitch Ratings	\$40	9/29/2022
RMS (Wind Only)	\$74	10/07/2022
Stonybrook	\$75	10/10/2022
Karen Clark & Co.	\$63	9/30/2022
<b>Average</b>	<b>\$60</b>	

10.8

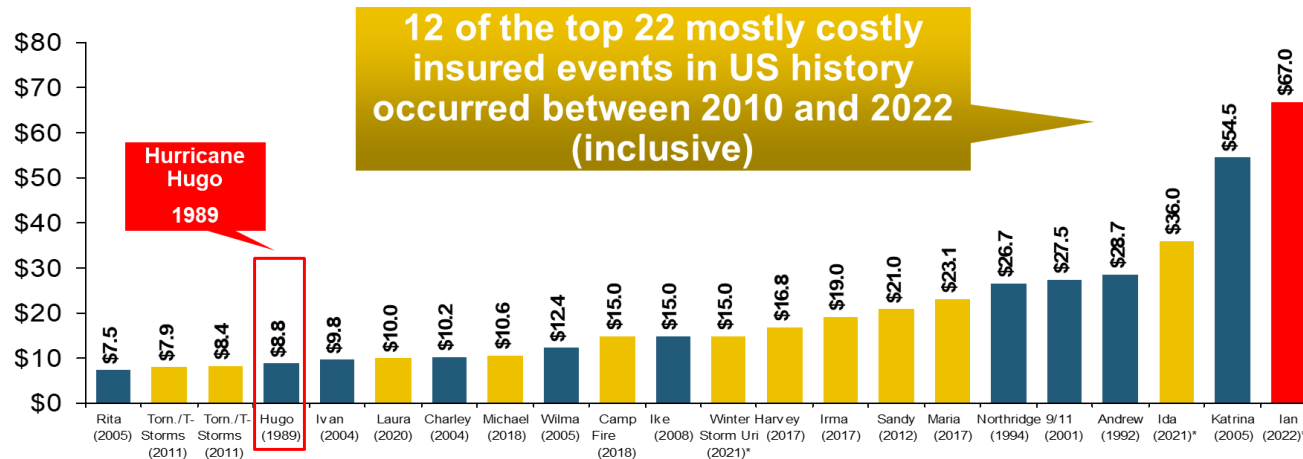


# Property Market Update

## Where we've been

### Top 22 most costly disasters in U.S. history - *Hurricane Ian* overtakes *Katrina*?

(Insured Losses, 2020 Dollars, \$ Billions)



18 of the 22 Most Expensive Insurance Events in US History Have Occurred Since 2004.

\*Source: Robert P. Hartwig, PhD, CPCU, Clinical Associate Professor of Finance, Risk Management & Insurance, University of South Carolina



# Property Market Update

## Where we're going

The marketplace has seen numerous challenges for insureds that we expect will continue through 2023

### ZERO TOLERANCE

- Carriers are showing zero tolerance for incomplete engineering recommendations
- Additional characteristics such as inspections, property condition assessments, and favorable carrier engineering reports are more important than ever

### SUBMISSION COMPETITION

- Commercial insurers receive as many as 100 million submissions per year
- Underwriters require more data to work on submissions

### LESS CAPACITY

- Large losses hit reinsurance carriers
- Increased cost for reinsurers is passed on to primary insurers and insureds

### SCRUTINY OF SUBMITTED REPLACEMENT COST VALUATIONS

- Actual cash value endorsements
- Occurrence limit of liability
- Margin clauses
- Increased rate/premium

### RISING/CHANGING DEDUCTIBLE STRUCTURE

- Percentage wind/hail deductibles
- Water damage deductibles \$100,000+

### TERMS AND CONDITIONS

- Scheduled Value/OLLE Clauses
- Actual Cash Value on Roofs
- Sublimit Reduction



# Casualty Coverage Line Analysis

## General Liability

- Continues to be a struggle in certain geographic areas of the country due to sovereign immunity statutes and statewide litigation and claims trends.
- Available limits are being slashed and rates continue to increase 5-15% or more.
- Excess limits are being cut by 50% or more.

## Law Enforcement Liability

- Becoming more difficult due to the ever changing law enforcement liability reform and civil unrest in the nation.
- Current environment and attitude towards law enforcement has changed following numerous police shootings.
- Many entities are trying to settle cases that previously would have gone to trial.
- The insurance carriers are reducing their limits and increasing premiums for this exposure accordingly.

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## Public Officials/Employment Practices Liability

- Marketplace continues to harden
- Federal claims continue to drive many of the losses in these coverages.
- In addition to seeing nominal rate increases, we are seeing some carriers implement new restrictions.

## Sexual Abuse/Molestation Liability

- Coverage continues to be very difficult to place.
- Limits are being slashed
- Retentions are soaring
- Premiums increasing at a very high rate



# Casualty Coverage Line Analysis

## Auto Liability

- Carriers continue to chase rising loss cost trends (increased repair costs; replacement vehicle pricing)
- CARFAX estimates Hurricane Ian damaged up to 358,000 vehicles and auto losses will be 10% of Ian's total losses
- With labor shortages, inflation and supply chain issues expected to continue, we anticipate rates to continue to rise in 2023 (+5-10% range)

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## Excess Workers Compensation

- There are a limited number of carriers that will write this coverage for public sector.
- Rate increases have been in the 10% range (unless losses dictate otherwise).
- Retentions and premium continue to rise primarily due to medical advances, improving mortality patterns for patients with serious injuries, and increasing prevalence and cost of home health care.



# Renewal Exposures

<b>Exposures</b>	<b><u>2022-2023</u></b>	<b><u>2023-2024</u></b>	<b><u>% Change</u></b>
<b>Property</b>	\$1,084,414,060	\$ 1,180,572,701	9%
<b>GOE</b>	\$ 333,812,610	\$ 422,635,914	27%
<b>Total Payroll</b>	\$ 232,221,999	\$ 249,934,111	8%
<b>Students</b>	36,831	38,771	5%
<b>Vehicles</b>	629	650	3%
<b>Employees</b>	5119	5202	2%
<b>Gross Annual Revenue</b>	\$ 333,812,610	\$ 403,482,928	21%





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# Marketing Highlights

- ❖ 50 companies/programs approached on your behalf
- ❖ Leveraged relationships and market capacity to obtain best pricing and coverage available in current market conditions
- ❖ 16 provided quotes/indications for various lines and layers of coverage. Many carriers still reviewing your submission
- ❖ Considered various retention levels, limits, and sublimits to provide the District a comprehensive and cost effective risk management program

# Risk Management Control Continuum



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***Less Control***

***Greater Control***



**Conventional  
Insurance  
Program**

**Safety  
Dividend  
Program**

**Large  
Deductible  
Retro-Plan**

**Protected  
Self-  
insurance  
(Aggregate  
Protection)**

**Specific  
Excess  
Insurance  
(No  
Aggregate)**

**Rent-A-  
Captive**

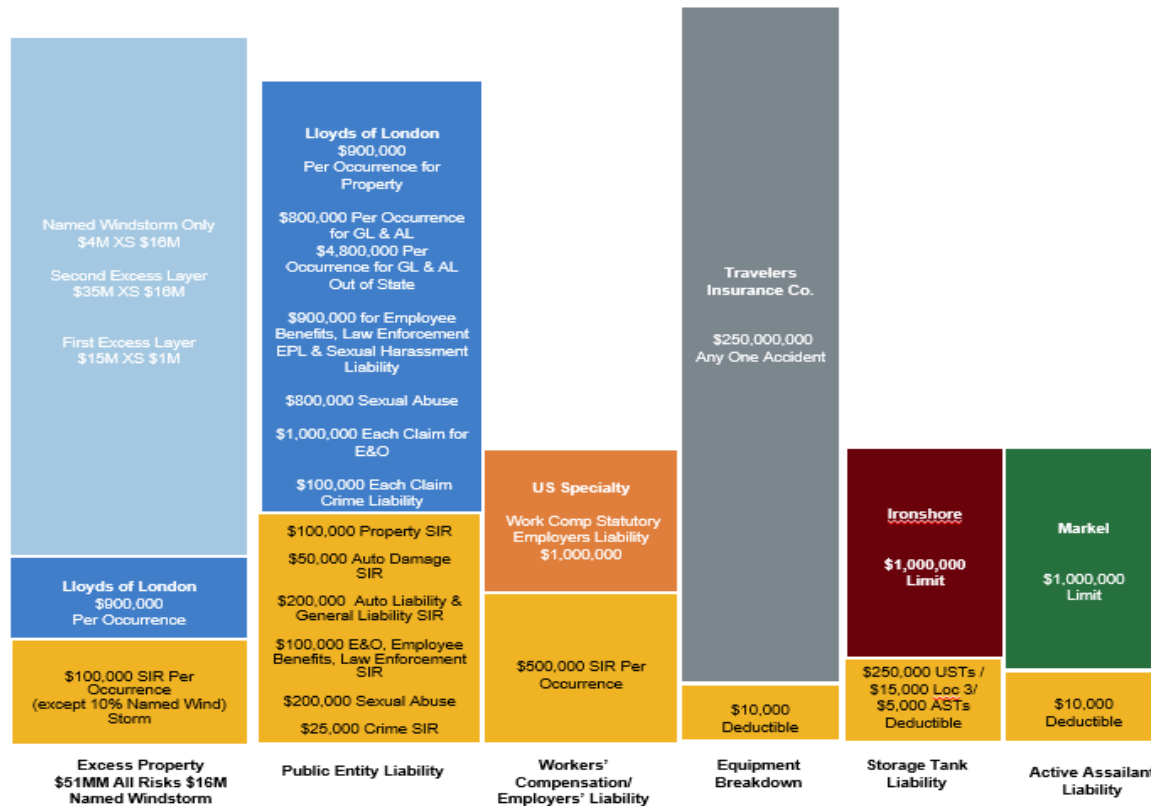
**Captive or  
RRG**

**Pure  
Self-  
Insurance**

**Clay County  
District Schools**



# Your Property and Casualty Program



Please note that coverages are not drawn to scale and actual policy verbiage should be consulted for coverage terms and conditions

# Premium Summary



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	#1	#2	#3
Description	Expiring 2022-2023	Renewal 2023-2024	\$16MM Named Windstorm
School Board Package	\$ 384,750	\$ 455,256	\$ 455,256
Excess Property	\$ 898,004	\$ 1,460,000	\$ 1,295,000
Excess WC	\$ 179,740	\$ 193,449	\$ 193,449
B&M	\$ 14,642	\$ 19,809	\$ 19,809
Storage Tank	\$ 18,360	\$ 21,180	\$ 21,180
Active Assailant	\$ 20,000	\$ 24,000	\$ 24,000
Student Accident	\$ 9,069	\$ 12,049	\$ 12,049
Special Risk	\$ 44,180	\$ 44,148	\$ 44,148
<b>Total Cost before fees</b>	<b>\$ 1,568,745</b>	<b>\$ 2,229,891</b>	<b>\$ 2,064,891</b>
Florida Surcharges/ FEMA Fees	\$ 32	\$ 32	\$ 32
TRIA	\$ 550	\$ 635	\$ 635
AJG Risk Management Fee	\$ 60,000	\$ 60,000	\$ 60,000
<b>Total Cost after fees</b>	<b>\$ 1,629,327</b>	<b>\$ 2,290,558</b>	<b>\$ 2,125,558</b>
<b>Total ▲ over expiring (\$)</b>		<b>\$ 661,231</b>	<b>\$ 496,231</b>
<b>Total ▲ over expiring (%)</b>		<b>41%</b>	<b>30%</b>

# Important Notes Regarding Your Renewal



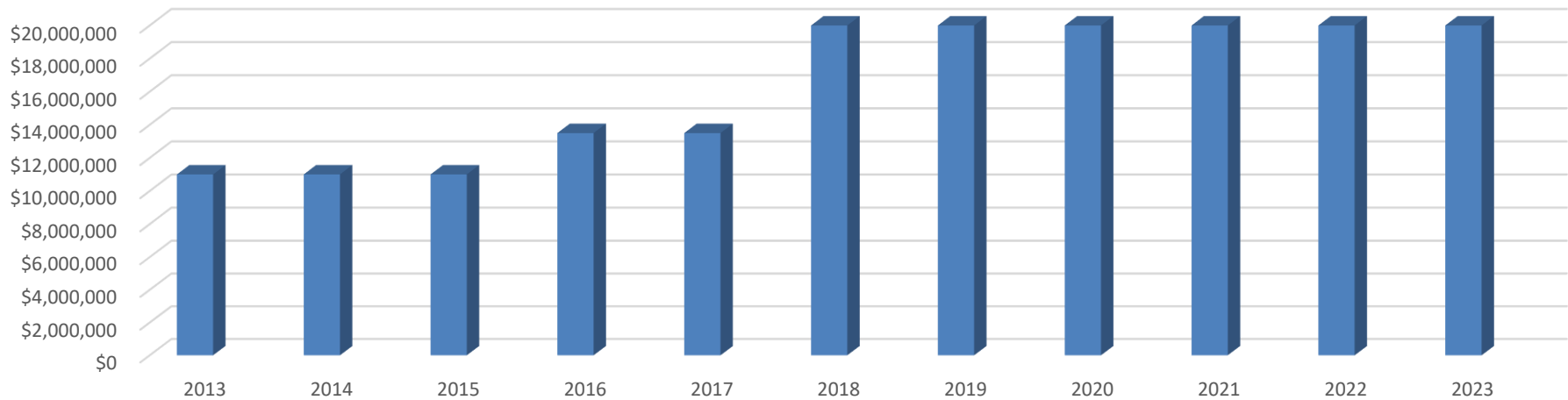
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1. The School Boards program has been marketed to ensure that pricing and coverage are consistent with market conditions;
  - 50 Markets approached,
  - 16 Quotes received,
  - Many markets still reviewing submission.
2. Renewal pricing is competitive in this hard marketplace;
3. Property rate increase is consistent with the marketplace, balance of the increase is a results of total insured values increasing.
4. Workers Compensation rate remained flat;
5. Column #1 is the Expiring Program
6. Column #2 is the renewal program. All terms, conditions, limits, retentions remain the same
7. Column #3 Reduces the Wind Limit by \$4MM, but keeps all other retentions the same as expiring
8. Column #3 is Recommended by Staff



# Property Program History

Named Windstorm Limit History



	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Total Excess Property Premiums</b>	\$ 753,256.00	\$ 610,000.00	\$ 560,000.00	\$ 464,254.00	\$ 468,000.00	\$ 507,619.00	\$ 576,422.00	\$ 657,422.00	\$ 706,441.00	\$ 898,004.00	\$ 1,460,000.00
<b>Named Windstorm Limit</b>	\$11,000,000	\$11,000,000	\$11,000,000	\$13,500,000	\$13,500,000	\$20,000,000	\$20,000,000	\$20,000,000	\$20,000,000	\$20,000,000	\$20,000,000
<b>Named Windstorm Deductible</b>	10% - \$1,000,000 Minimum	10% - \$1,000,000 Minimum	10% - \$1,000,000 Minimum	10% - \$1,000,000 Minimum	10% - \$1,000,000 Minimum	10% - \$1,000,000 Minimum	10% - \$1,000,000 Minimum	10% - \$1,000,000 Minimum	10% - \$1,000,000 Minimum	10% - \$1,000,000 Minimum	10% - \$1,000,000 Minimum
<b>Rate</b>	0.072	0.0622	0.0505	0.0511	0.0515	0.0516	0.0572	0.0631	0.0677	0.0781	0.1145
<b>TIV</b>	\$ 1,046,329,082	\$ 981,174,051	\$ 1,109,446,339	\$ 908,967,381	\$ 909,008,284	\$ 984,693,288	\$ 1,007,091,790	\$ 1,043,019,847	\$ 1,043,881,101	\$ 1,149,854,136	\$ 1,267,156,420