



# City of Glendale, AZ Insurance Market Update and 2021/2022 Renewal Projections

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*(THIS INFORMATION HAS BEEN CONSOLIDATED FROM VARIOUS INDUSTRY SOURCES)*

# City of Glendale Presentation Overview



- Property/Casualty Industry Performance
  - *Property*
  - *General Liability*
  - *Workers Compensation*
  - *Cyber liability*
- Renewal Strategy
- Addressing City of Glendale Concerns and Expectations
- Insurance Premium Budget Projections 21/22



# Property/Casualty Industry Performance 2021/2022

# Current Status of the Insurance/Reinsurance Market

- The Universe of carriers especially in Public Entity is shrinking



- Remaining public entity markets are picking up the slack, but with restricted coverage, reduced capacity, higher premiums, lower limits, and tougher underwriting criteria
- **Less Supply + Increased Demand = Higher Rates**

# Property/Casualty Updates

- **Property and Liability**: Market continues to harden – market capacity has been cut, fewer carriers are willing to write the business and minimum premiums have increased.
  - Many standard carriers are not offering large ground up limits (Zurich, among others), forcing brokers to build capacity through multiple carriers.
  - Several carriers have pulled out of public entity, and are non-renewing coverage within the state, increasing Retentions for exposures such as Police Professional & Employment Practices and dishing out large double digit increases.
    - Markel & Trident – Pulling out of writing public entity new business.
    - Public entity Issues with APR/AWAC- Max \$5M Capacity; \$3M minimum SIR – regardless of Safety exposure!
    - Safety National - \$1M minimum SIR and Premium, in addition to lower limits.
- **Workers Compensation Market**: Treatment of COVID-19 claims could still impact the Workers' Compensation market significantly. However, unlike other core coverage lines, WC remains relatively stable.
  - Several Lead Markets looking to increase Minimum Premiums and/or Retentions – especially for organizations with police and fire payroll.
  - ***Industry increase in severity claims due to Medical Inflation and Presumptive Laws.***
- **Cyber Liability Market**: Public Entities and Healthcare among largest target class for criminals.
  - Expect upward pressure on rates and possible coverage restrictions.

# Property/Casualty Updates - Continued

- SAM claims continue to come forward, high values and potential coverage issues (occurrences, date of loss, coverage exclusions/caps) – insureds' Policies and Procedures increasing focus of underwriting.
- Corporate mandates and insurance treaties limiting the ability for many carriers to write difficult exposures such as wildfire, convective storm(risks privy to tornados/hail, etc.), police professional liability, etc.
  - *Or, placing limitations such as aggregates for these coverages – maxing out amount payable in any one year.*
- COVID-19 exclusions on all policies in light of the pandemic.
  - Current projections place COVID property losses at \$40B - \$80B.
- Carriers have become more stringent – valuation, integrity and completeness of data is critical in garnering underwriter attention and preferred terms.

## CYBER MARKET OVERVIEW



Claims &  
Losses

Coverage

Capacity

Retentions

Pricing

# Cyber Insurance Update

- Cybercrime is projected to hit \$6 trillion annually by 2021, was \$2 trillion in 2019
- Ransomware is now the fastest growing in frequency and severity of claims for insurance companies
- Largest cyber extortion demand +\$20M
- Largest cyber extortion payment +\$5M
  - Costs of notifications in data breach
    - \$5 - \$25 per individual

# Cyber Continued



## Cyber attacks:

- Canadian government (national revenue agency) – August 2020
- New Bedford, MA – Ransom demand north of \$5M – 2020
- Apple Ransom Demand \$50M– Apple Blue – April 2021
- Colonial Pipeline Shutdown –Ransom demand –May 2021
- Chubb Insurance Ransomware Demand - April 2021-
- Solar Winds – 2020

## Trends:

- Top 10 cyber insurance carriers (controls about 70 - 75% of the marketplace) all report an overwhelming increase in ransomware claims
- No industry class was spared
- Public Entity was the most successfully targeted sector in terms of penetration by the attackers and frequency. PE is amongst the least prepared due to older software/computer equipment, lack of training, low IT security budgets

## What to Expect in 2021

Higher	Lower
Increase in Critical Examination of Risks	Lower Capacity
Retentions	Limits/Aggregate Limits
Premiums	Sublimits
Increased Request for Information	Less Expansion of Coverage Terms
Increase in Declinations	Less Accommodations

- **How long will this last?**

- Only time will tell, next 12 months are critical to watch
- If ransomware eases up and no other new form of loss takes its place, the industry could recover quickly. However, ransomware continues to target all industries

- **What should we keep an eye out for?**

- Changes in vendor services and the interactions with vendors during a claim

# Overview of Insurance Programs



- **First Party Property**
- **General Liability**
- **Workers' Compensation**
- **Miscellaneous Lines**
  - Pollution
  - Cyber Liability -Primary and Excess
  - Airport
  - Crime

# PROPERTY COVERAGE OVERVIEW

## Alliant Property Insurance Program (APIP)

- APIP provides the best coverage terms for municipalities
- Broad Insuring Agreement
- Coverage for all property (personal and real)
- First party Automobile coverage
- APIP is unique in that it provides separate coverage for Cyber and Pollution Liability

## Glendale Property Coverage in APIP

- Replacement cost for physical damage
- Earthquake Coverage provided
- Flood Coverage including Zones A&V
- Automatic acquisition of new locations
- Blanket fine arts coverage
- Municipal bond and tax revenue interruption coverage
- Course of construction coverage
- Coverage for Misc./Unnamed locations
- Boiler and machinery (includes jurisdictional inspections)
- *First Party Automobile Coverage*
- *Cyber liability limits up to \$2M*
- *Pollution limits up to \$2M*
- Built-in loss control and appraisals

# Current Property Insurance Overview

## Alliant Insurance Property Program (APIP)

2020/2021	Limits	21/22 Updates
Total Insured Values	\$848,993,025	\$848,993,025
Policy Limit	\$800,000,000	\$800,000,000
Deductible	\$100,000 All Risk Deductible	\$100,000 All Risk Deductible
Key Sub-limits:	Sub-limits:	Sub-limits:
Business Interruption	\$100,000,000	\$100,000,000
Course of Construction	\$25,000,000	\$25,000,000
Terrorism	\$100,000,000	\$100,000,000
Flood (Non High Hazard)	\$75,000,000	\$75,000,000
Flood (Flood Zone A&V)	\$7,500,000	\$7,500,000
Earthquake	\$100,000,000	\$100,000,000
Boiler and Machinery (APIP)	\$100,000,000	\$100,000,000
Cyber Liability (APIP)	\$2,000,000 (APIP member limit)	\$2,000,000 (APIP member limit)
Pollution (APIP)	\$2,000,000 (APIP member limit)	\$2,000,000 (APIP member limit)
Expiring Premium	\$722,385.07	

# Earthquake and Flood Overview- in APIP



## Current Coverage

- Coverage is provided through the APIP program
- Earthquake: \$100,000,000 limits with a \$100K deductible
- Flood: \$75,000,000 Limits with a \$250,00 all flood zones
- \$7,500,000 Flood for Zones A&V with a \$500,000 deductible

# General Liability

Coverage for damages to *third parties* arising out of the City' negligence includes:

- General Liability- *Occurrence*
- Law Enforcement Liability
- Automobile Liability
- Public Officials (Directors and Officers) Liability
- Employment Practices Liability



# Current – 20/21 Glendale Excess Liability Limits Structure

\$41M	Great American Company \$5M xs \$35M excess of \$1M SIR			
\$36M	Navigators Specialty Insurance Company \$10M xs \$25M excess of \$1M SIR			
\$26M	Hallmark Specialty Insurance Company \$5M xs \$20M excess of \$1M SIR			
\$21M	Allied World Assurance Co. (U.S.) Inc. \$10M xs \$10M excess of \$1M SIR			
\$11M	Safety National Casualty Corporation \$8M xs \$2M excess of \$1M SIR			
\$3M	Safety National (GL) \$2M xs \$1M SIR	Safety National (AL) \$2M xs \$1M SIR	Safety Specialty (POL+EPL) \$2M xs \$1M SIR	Safety Specialty (LEL) \$2M xs \$1M SIR
\$1M	\$1,000,000 Retention			
	<b>Total Annual Premium - \$932,138 Plus Taxes/ Fees</b>			
	<i>*Limits shown do not reflect the applicable Policy Aggregates for each layer participant</i>			

# Glendale Excess Liability Marketing Results

MARKET	RESPONSE
<b>Safety National Insurance (Incumbent)</b>	Safety National has not provided a renewal quote, they are currently reviewing the submission/exposure/claims. Safety has advised they may lower limits offered.
<b>PRISM FKA CSAC-EIA</b>	This is Risk Sharing Pool, and it's pending review from Committee for approval
<b>AIG</b>	Submitted Pending Response from carrier.
<b>Berkley</b>	Will be able to provide \$5M, pricing based on Safety National Lead pricing.
<b>Berkley Public Entity Managers</b>	Reviewing submission.
<b>Navigators (Incumbent)</b>	Carrier will restrict capacity to \$5M-\$7.5M.
<b>Great American</b>	Non-Renewing all public entity business.
<b>Hallmark Specialty (Incumbent)</b>	Submitted, pending review.

# Workers' Compensation Trends in Arizona – SB 1451

- Arizona's 1451 was signed by the Governor on 4/14/2021, which expands firefighter's protection under WC.
- Cancer can be rebutted by clear and convincing evidence that there is another cause other than occupational and claims can be filed by former (fire fighters and investigators and peace officers) up to 15 years after their last day of employment.
- *AZ Presumptive Legislature is one of the factors limiting the amount of insurance carriers willing to write in the state.*
- The WC Industry as a whole is seeing a trend in larger Police/Fire losses and Arizona is no exception
- Currently some AZ cities are unable to obtain WC insurance, and are being forced to self insure for WC rather than transferring risk to an insurance carrier



# Excess Workers' Compensation Coverage Overview



- Coverage for injuries to employees while in the course and scope of employment
  - Insurance Carrier Safety National
  - Limits Statutory
  - Employers Liability Limit \$ 2,000,000
  - CURRENT Retention \$ 2,000,000
  - Payroll at Binding \$ 146, 719,036
  - Expiring Premium \$ 230,349

# Glendale Workers Compensation Marketing Report

MARKET	RESPONSE
<b>Safety National (Incumbent)</b>	Pending quote from current carrier. Carrier has questions regarding an open claim that has developed into a longer term Covid 19 claim, <i>in addition to currently reviewing the impact of SB 1451.</i>
<b>PRISM POOL</b>	Full submission to PRISM pool. Pending indication, as the committee will review closer to June.
<b>Marketing Note:</b>	For the 2020 renewal Alliant approached the following carriers: AIG, Arch, Chubb, Grey Specialty, Liberty, and US Specialty. Carriers declined due to losses or possible SB 1451.

Glendale's Cyber Liability Coverage	LIMITS STRUCTURE
<b>Part of APIP Cyber Program (Lloyd's of London Beazley Syndicate)</b>  <i>Limits are Shared among all members</i>	\$45,000,000 Annual Policy and Program Aggregate Limit of Liability for all members combined
Coverage Includes:  <b>Retention:</b>	\$2,000,000 maximum limit, per occurrence, each member Breach Response Costs, Business Interruption, Cyber Extortion, Data Recovery Costs, Dependent Business Interruption, Data & Network Liability, Regulatory Defense & Penalties, Sub-limits Include: Fraudulent Instruction, Funds Transfer Fraud, Telephone Fraud, Computer Hardware replacement costs  <b><i>\$500,000, Per Occurrence for each Insured</i></b>
	<b>Premium Included in APIP Cost</b>
<b>APIP -Beazley Breach Response Services (BBR) Cyber Enhancement Option (Beazley)</b>	Notified Individuals- Includes any notification Services, call center services, credit & identify monitoring, and Beazley Breach Response Services  Limits Purchased: 250,000 Notified individuals  <b><i>Retention: 100 Notified individuals</i></b>
<b>Alliant Cyber Excess (ACES) - Axis Insurance Company</b>	Dedicated Limits \$3M Excess of \$2M APIP (shared limits)  Limits are excess of APIP Cyber and drop down to become primary dedicated limits should APIP aggregate layer be exhausted
<b>Annual Premium ACES Layer</b>	
<b>APIP Cyber Liability Excess Policy (Lloyd's Beazley)</b>	\$5,000,000 Dedicated Limits (excess of \$5M)  \$5,000,000 Each/Total – Excess of APIP shared \$2M and AXIS \$3M excess for Total of \$10M in limits

# Crime Insurance Overview

## ALLIANT CRIME INSURANCE PROGRAM (ACIP)

2020 / 2021 Crime Coverage	LIMITS
National Union Fire Company of Pittsburgh	\$10,000,000
Coverage Includes: Employee Theft – Per Loss Coverage including Faithful Performance of Duty	Sub-Limits/Endorsements:
Forgery or Alteration - including Credit, Debit, or Charge Card Forgery	Revision of Discovery and Prior Theft or Dishonesty \$25,000 Sub-Limit.
Inside the Premises – Theft of Money and Securities	Include Expenses Incurred to Establish Amount of Covered Loss - \$75,000 Sub-limit
Inside the Premises – Robbery & Safe Burglary of Other Property	Employee Post Termination Coverage – 90 Days
Outside the Premises - Money, Securities and Other Property	Bonded Employees Exclusion Deleted endorsement
Computer Fraud	Add Faithful Performance of Duty Coverage for Government Employees – Employee Theft Per Loss Limit
Retention:	\$50,000
<b>Total Annual Premium</b>	<b>\$28,011</b>

## Miscellaneous Insurance Policies Overview

	Policies	LIMITS
<b>Airport Owners' and Operators' Liability</b>	<b>Airport Owners' and Operators' Liability (Chubb Insurance)</b>	<b>\$25,000,000 Limits with No Retention</b>
	<b>Coverages Include</b>	<b>Bodily Injury, Property Damage, Hanger Keepers, Non Owned Aircraft, Products Completed (Aggregate), Medical Expenses, Personal Injury and Advertising Injury</b>
<b>Fiduciary</b>	<b>Fiduciary Liability (Hudson Insurance)</b>	<b>\$5,000,000 in Aggregate Limits</b>
		<b>Glendale Section 457 Deferred Compensation Plan - 98742-00</b>
	<b>Coverages Include</b>	<b>Protects fiduciaries against mismanagement of an employee benefit plans, or plan assets.</b>
		<b>Includes Defense Costs, and sub-limits for HIPPA and HITECH Fines &amp; Penalties, Compliance Fees, Settler Coverage, Waiver of Recourse</b>
<b>Special Liability Insurance Program (SLIP)</b>	<b>Special Liability Insurance Program (SLIP)</b>	<b><i>Location Covered: Regional Public Safety Training</i></b>
		<b>\$2,000,000 Per Occurrence, \$1,000,000 Fire Damage Liability Sub-limit</b>
	<b>Coverages Include</b>	<b>General Liability, Personal Injury (Including Bodily and Property Damage), Fire Damage Liability, Non-Owned and Hired Automobile</b>

## City of Glendale Renewal Strategy



### Marketing Process:

- **Property-** Glendale is expected to receive a 38% to 42% rate increase in APIP. The program includes property for buildings, contents, auto, equipment breakdown, cyber and pollution coverage.

*Alliant conducted a soft marketing of each coverage included in APIP. Indicated premiums from carriers are as follows:*

- **Property: \$865K**
  - **Auto: \$80K to \$120K**
  - **Cyber: \$130K to replace the \$2M limits in APIP**
  - **Pollution: \$17K to \$30K to replace the \$2M limits in APIP**
- **General Liability** – Full marketing of the excess layers is taking place, Alliant has gone out to the market for best terms and pricing including the PRISM pool.
  - **Workers' Comp** – The City is currently insured with Safety National which has a long partnership with the City. Alliant is currently marketing the excess workers compensation to the PRISM pool.

# Glendale Renewal Budget Projections 2021/2022

Line of Coverage	Renewal Date	Carrier (s)	2020/2021 Program Cost (Annual)	Estimated % Change	2021/2022 Estimated Cost
Alliant Property Insurance Program (APIP) All Risk Property Program Includes Property, Boiler & Machinery, Earthquake, Flood, Auto, Cyber Liability, and Pollution Liability coverages	7/1/2021	Various Including - Lexington	\$722,385	41.25% to 45.3%	\$1,020,369 to \$1,049,625
BBR -Cyber Enchantment over APIP for Notified Individuals- (250,000 Notified Lives)	7/1/2021	Beazley-Lloyds	\$0	0.00%	\$0
ACES Alliant Cyber Excess Solutions \$3M XS \$2M	7/1/2021	Axis	\$25,946	150% to 300%	\$64,865 to \$103,784
ACES Alliant Cyber Excess Solutions \$5M XS \$5M (\$10M total cyber limits)	7/1/2021	Beazley-Lloyds	\$61,250	150% to 300%	\$153,125 to \$245,000
Excess Liability \$1M SIR with \$40M Excess Policy Limits	7/1/2021	1. \$10M Safety National 2. \$10M X \$10M AWAC 3. \$ 5M X \$20M Hallmark 4. \$10M X \$25M Navigators 5. \$ 5M X \$35M Great American	\$950,039	60.87%	\$1,528,328
Special Liability Insurance Program (SLIP) Regional Public Safety Training Center	9/29/2021	Great American E&S Insurance Company	\$6,317	15.00%	\$7,265
Airport Liability Airport Owners' and Operators' Liability (3 Year Policy)	1/26/2021	ACE Property and Casualty Insurance Company (Chubb)	\$8,995	15.00%	\$14,760
Alliant Crime Insurance Program (ACIP) Crime	7/1/2021	National Union Fire Insurance Company (AIG)	\$28,011	10.00%	\$30,812.10
Fiduciary Liability	7/10/2021	Hudson Insurance Company	\$12,562	14.27%	\$14,355
Premises Pollution Liability	8/15/2021	Allianz Interstate Fire & Casualty Company	\$22,231	30.00%	\$28,900
<b>Total:</b>			<b>\$1,837,736</b>	<b>55.73% to 64.43%</b>	<b>\$2,861,831 to \$3,021,881</b>
Line of Coverage	Renewal Date	Carrier	2019/2020 Program Cost (Annual)	Estimated % Change	2020/2021 Estimated Program Cost
Excess Workers' Compensation and Employer's Liability (Self Insured Retention \$2M)	7/1/2021	Safety National Casualty Corporation	\$230,349	18% to 50%	\$271,812 to \$345,524

# Parting Thoughts on 2021/2022 Insurance Renewals

- Expect upward pressure on Liability & Property rates to continue. Rates will continue to rise for both property and liability as limits/capacity decrease.
- Expect carriers to hold on to quotes into June as they prepare for any change in exposure from submissions and may even pull back on renewal terms.
- Public agencies with a history of or exposure to large verdicts and liability settlements will continue to see increases and the marketplace for coverage will continue to retract.
- Dramatic price increases and reductions in coverage can be expected in the casualty market, as Law Enforcement claims, and Social Unrest put municipalities in the spotlight.
- Aging Public Entity infrastructure, undervalued locations, and lack of updates on older buildings, could dramatically change the property market if several large urban losses are recorded.



Thoughts/Comments?

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