

May The Odds Be Ever in Your Favor!

But If They Aren't, Know What Your
Insurance Covers

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ACBO 2016 Spring Conference

THE HUNGER GAMES



Primer on Liability Coverage

Some Nuts and Bolts for Your Toolbox...

Takeaways:

I. Eric Lucas

Observations

II. Greg Alberti

Parties to the Transaction(s)
Define Broker/Agent Role in this Relationship
Reinsurance Terminology
Designing a Program
Hypothetical Cover Tower

III. Susan Harrison

Real Life @ SMCCD
Front Lines Issues
Without a Risk Management Department View
Relationship with SMCCD's Broker

IV. Eric Lucas

Case Studies
Summary/Wrap/Questions

So whatever is your mantra...

*“May the
Odds Be
Ever in Your
Favor.”*

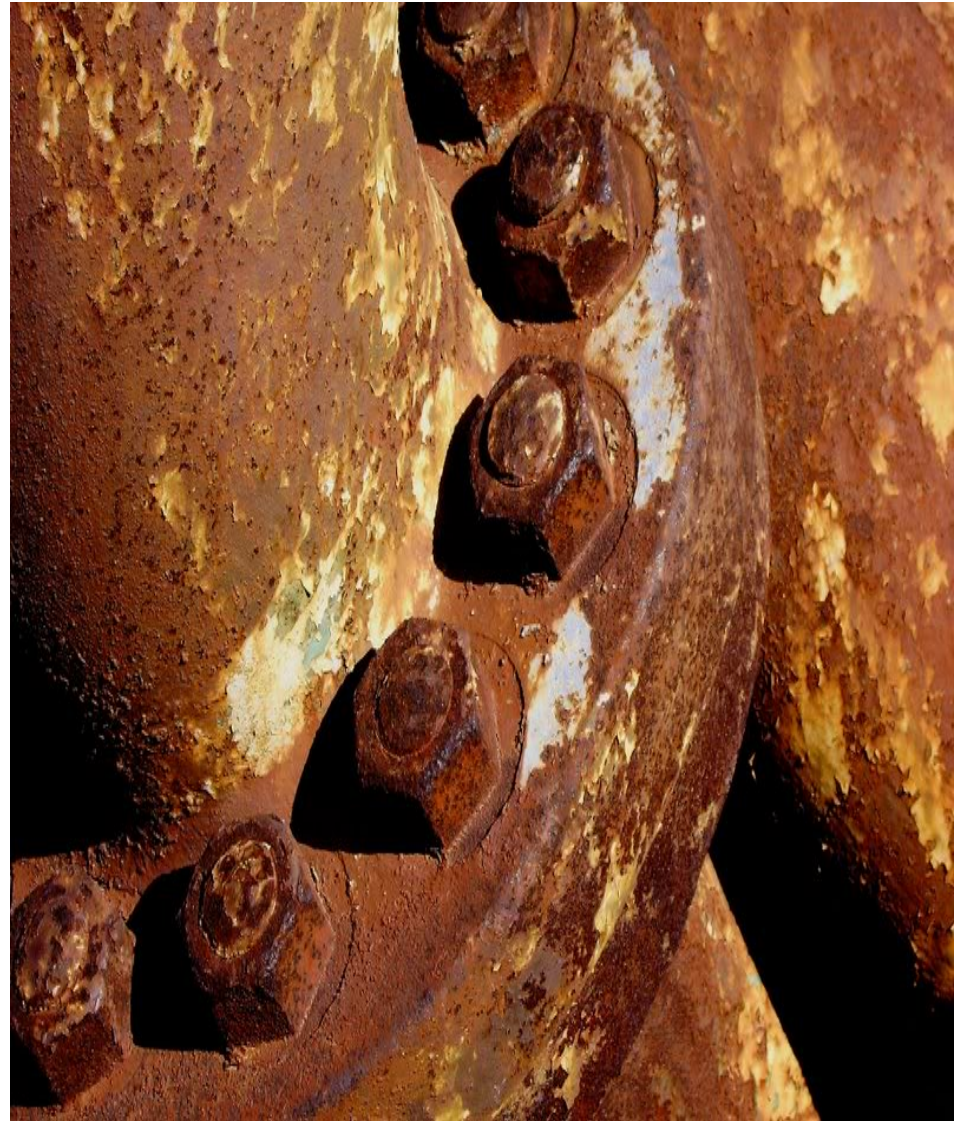


The Nuts and Bolts Will Be Discussed...

- Your program needs to look like this...
- Shiny, new, organized, and polished at **every** renewal.
- Not one size fits all but has a variety and adaptability that is a fit for whatever situation may present itself.



And not like this:
Rusty, possibly broken,
barely holding tight,
torqued to the max,
and unable to handle
any stress as it hasn't
been tested, reviewed
or maintained in years.
Which can lead to...



this...

“Leaking” for many coverage years.

Unknown to anyone until there is a “problem”.

All happening under your watch.

And that problem leads to...



THE PROBLEM WITH NOT PRACTICING YOUR PROFESSION

this...

A very unhappy boss.

And you become
Milton...Dazed and
Confused.

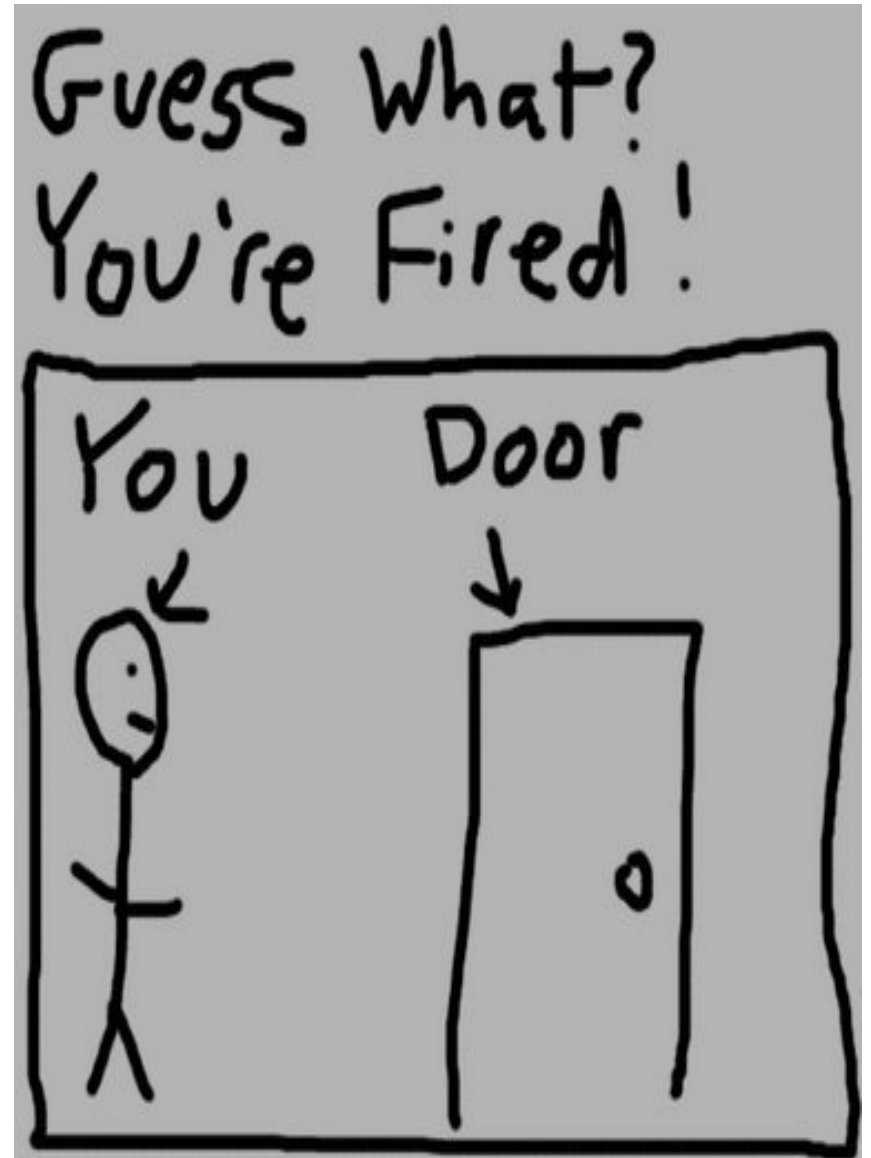
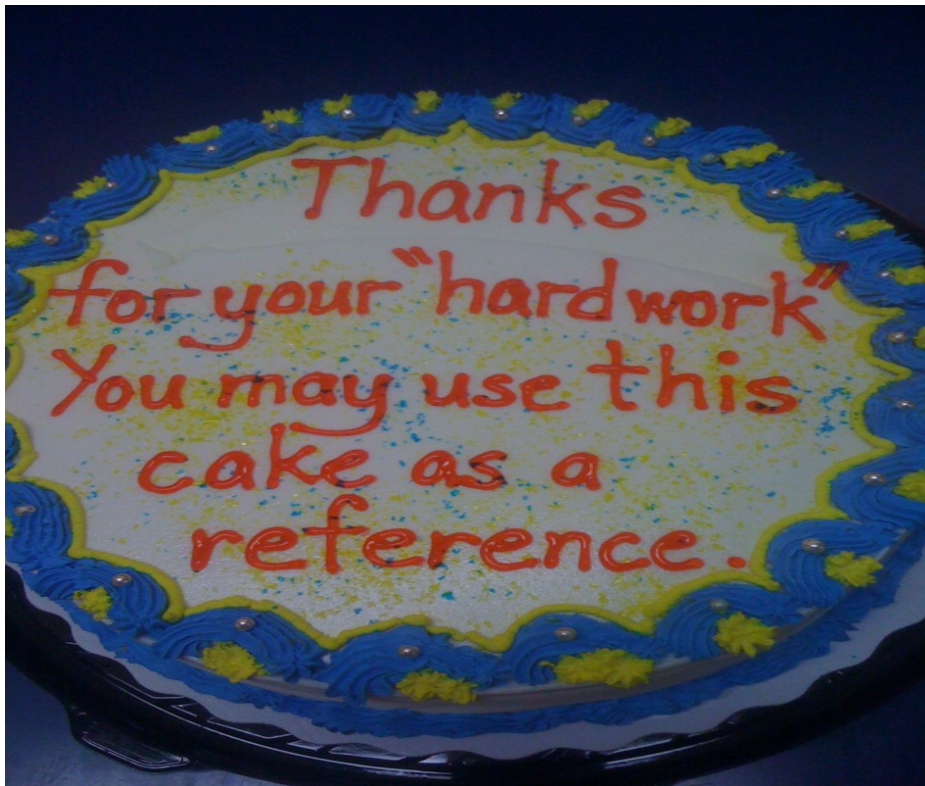
And you give this
response...

"and I'll get back to
you."



With the most likely result being this...

And lucky if you even get this...



So who else is in this relationship?

Your actuary, your broker/insurance rep, and an underwriter for the reinsurer or excess insurer.

So what is the role of each on this team? Best defined by the following:

An actuary, a broker/insurance rep, and an underwriter are riding in a car.

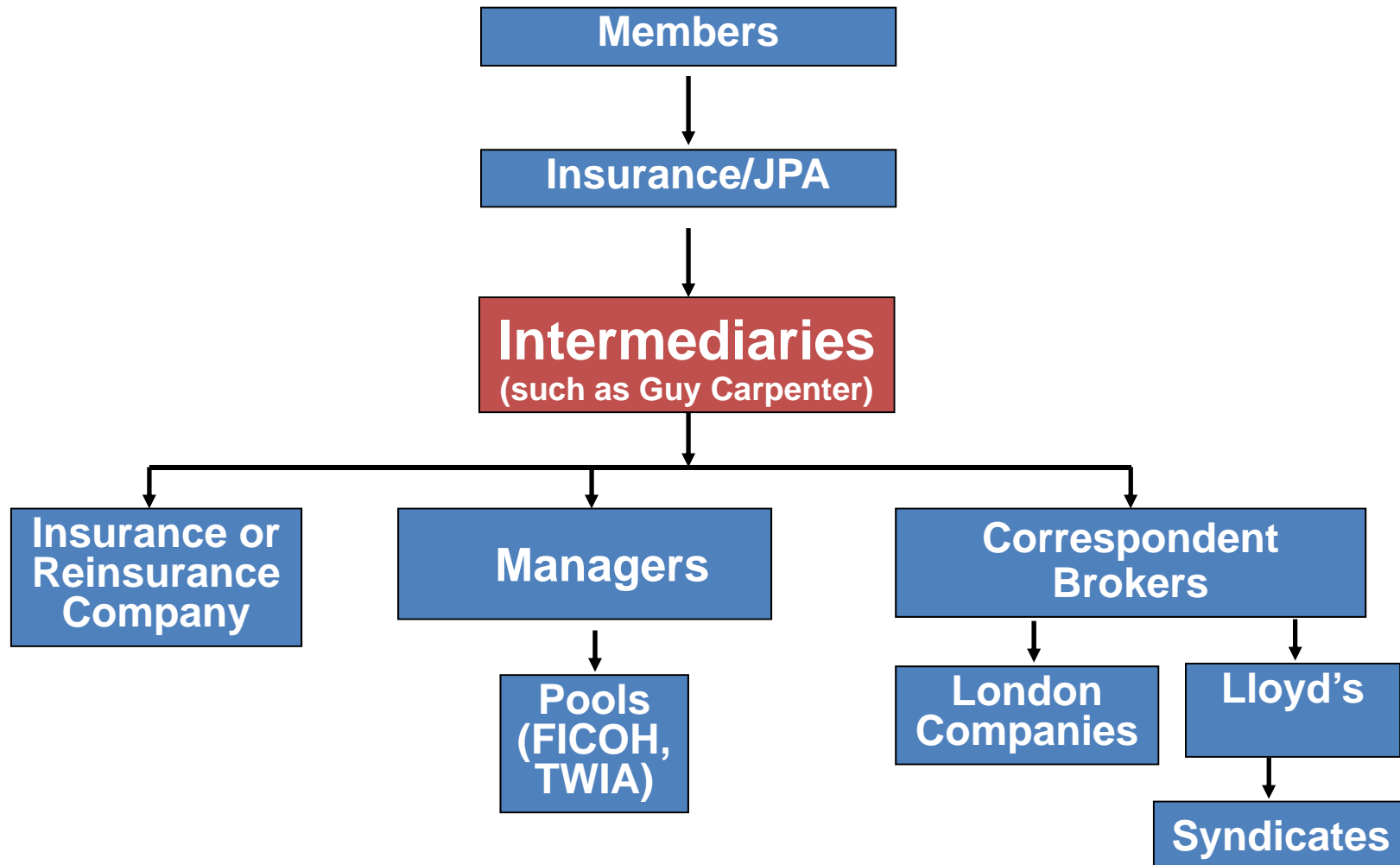
The broker/insurance rep has their foot on the gas;

The underwriter has their foot on the brake;

All the while the actuary is looking out the back window telling them where to go.

The Parties to the Transaction

The Parties to the Reinsurance Transaction





Reinsurance **A Definition**

Basic Terminology and Concepts:

AM Best Rating

“A” ratings and above are assigned to companies that have, in our opinion, an excellent ability to meet their ongoing insurance obligations.

Economy of Scale

Basic 101: The greater the quantity of a good produced, the lower the per-unit fixed cost because these costs are shared over a larger number of goods. **Pooling**

Cede

To pass on to the reinsurer all or part of the financial interests of insurance policies written by an insurer (the ceding insurer) with the object of reducing the cedent's possible liability.

Occurrence Basis

For coverage to be provided, the act giving rise to a claim needs to occur within the policy period. The claim does not need to be reported during the policy period.

Basic Terminology and Concepts:

Self-Insured Retention

A dollar amount specified in a liability insurance policy that must be paid by the insured before the insurance policy will respond to a loss.

Incurred But Not Reported (IBNR)

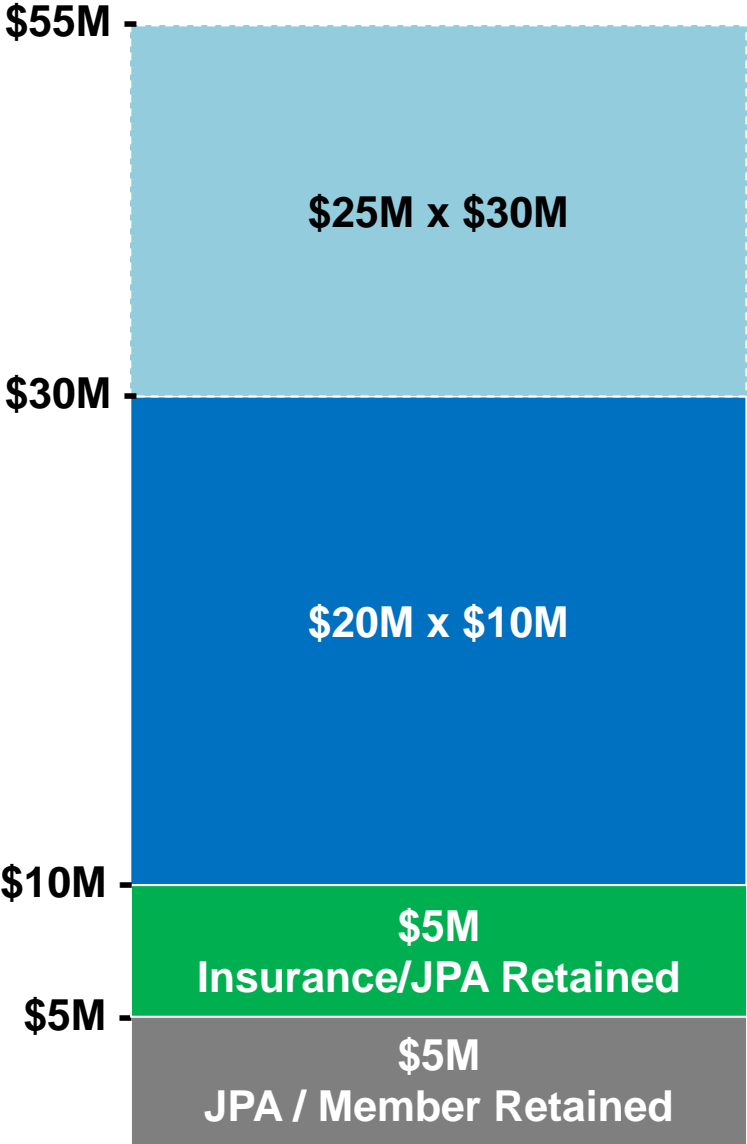
The liability for future payments on losses which have already occurred but have not yet been reported in the reinsurer's records. This definition may be extended to include expected future development on claims already reported.

Funding/Reserving at Expected

Allocating the appropriate capital to a specific self-funded layer in order to achieve capital adequacy in case of a loss.

Basic Terminology and Concepts:

- Retention – The amount an insurer keeps net for its own account or the dollar amount excess of which reinsurers assume the reinsured’s loss from property and liability exposures.
- Limit of Liability – The maximum amount for which the reinsurer is liable under a reinsurance contract:
- Layering – Splitting a “tower” of reinsurance into sections each section having a retention and limit of liability



Designing the Reinsurance Program

Designing a Reinsurance Program Structure

Analysis and Decision Making: Setting a Retention & Layering

Cost of Reinsurance/ Market Conditions

- All other contract terms being equal a lower retention will cost more than higher retention
- Hard Market versus Soft Market

Layering a Reinsurance Program

“Working” Layer: “Significant” Claim Frequency

“Capacity” Layer: “Infrequent” Claim Severity

Layering: Is “sideways” coverage unlimited or limited, free or at a cost?

Designing a Reinsurance Program Structure

Analysis and Decision Making: Layering a Reinsurance Program

What are the key factors that influence layering a XOL(Excess of Loss) program?

Underwriting Experience / Exposures

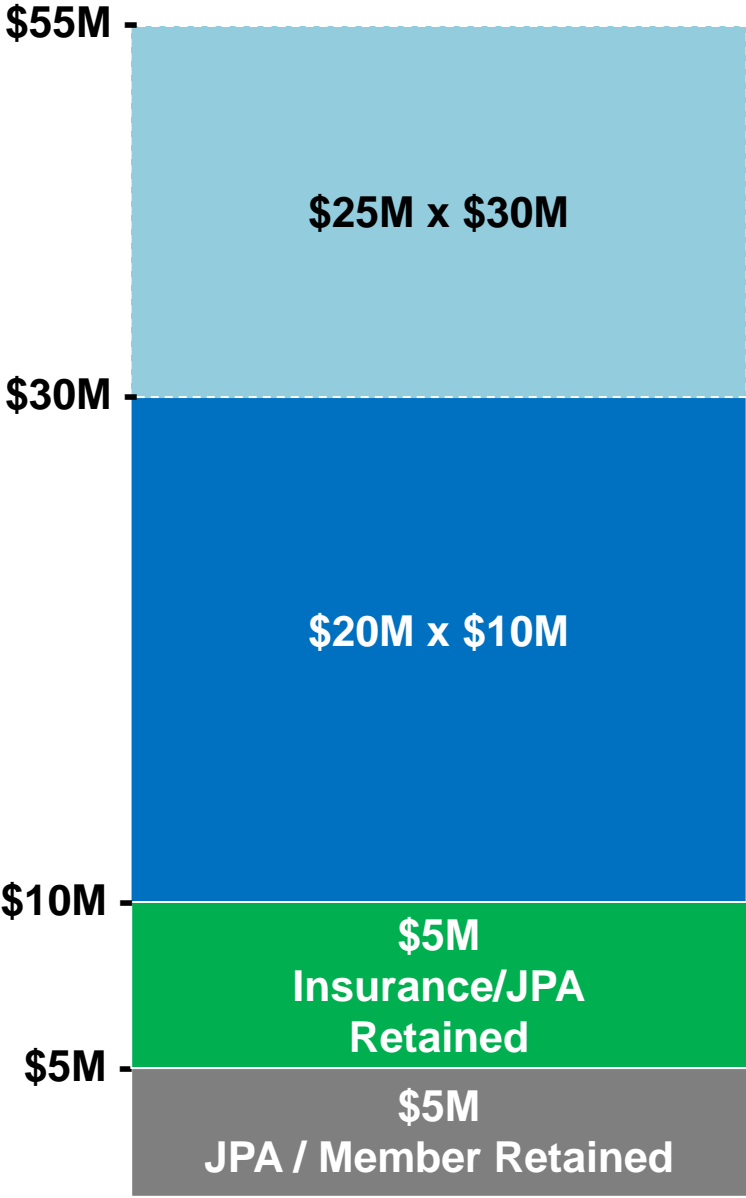
Reinsurer Relationships and Appetite: Pricing and Capacity

Maximize Coverage / Minimize Cost



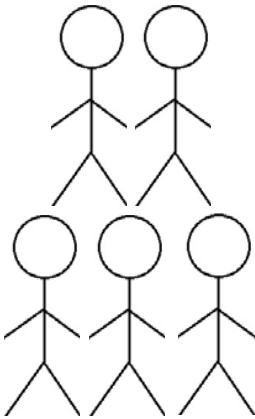
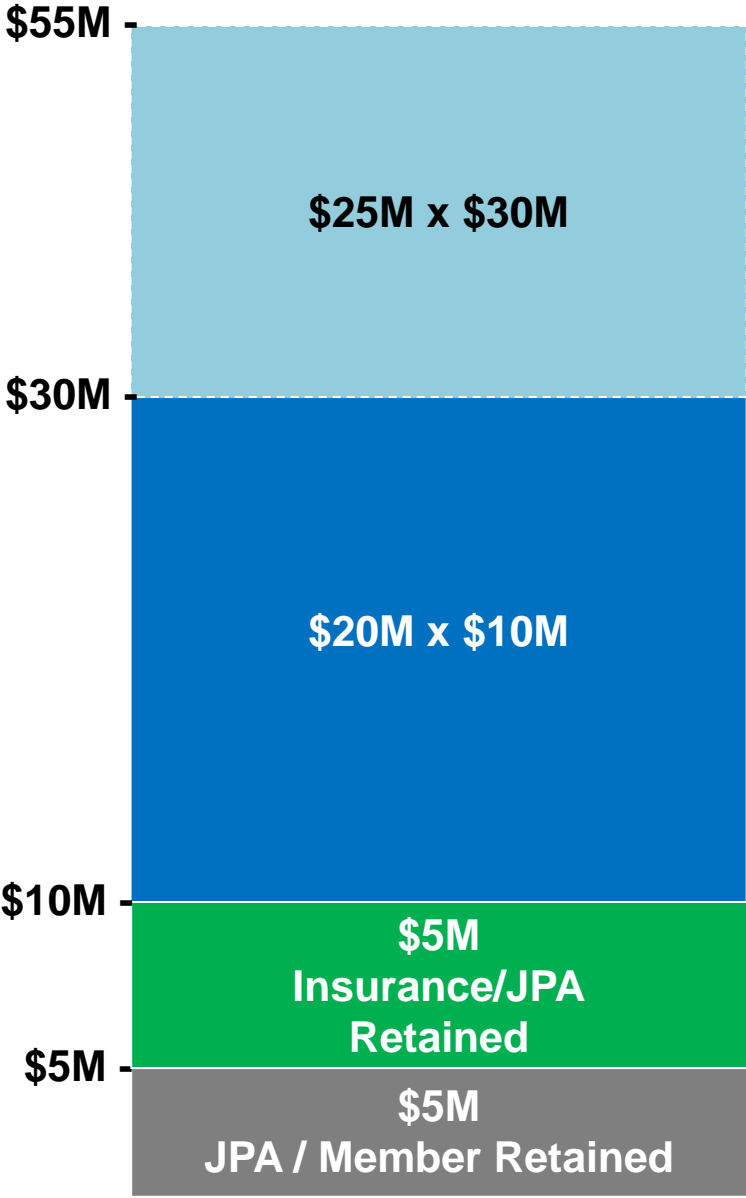
California JPA Excess Liability Pooling

Loss Coverage Example



California JPA Excess Liability Pooling

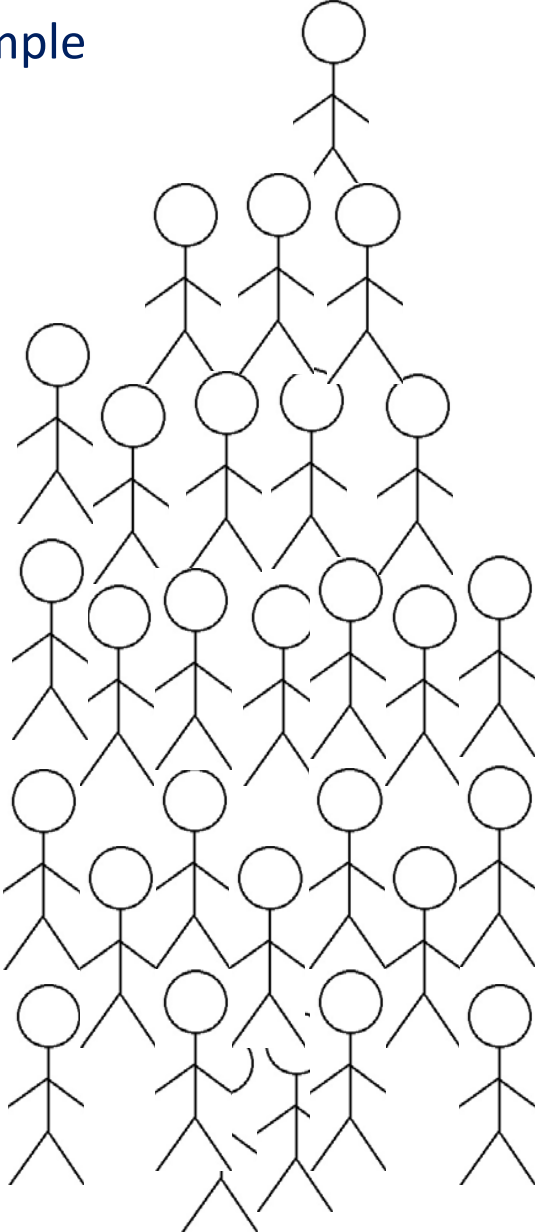
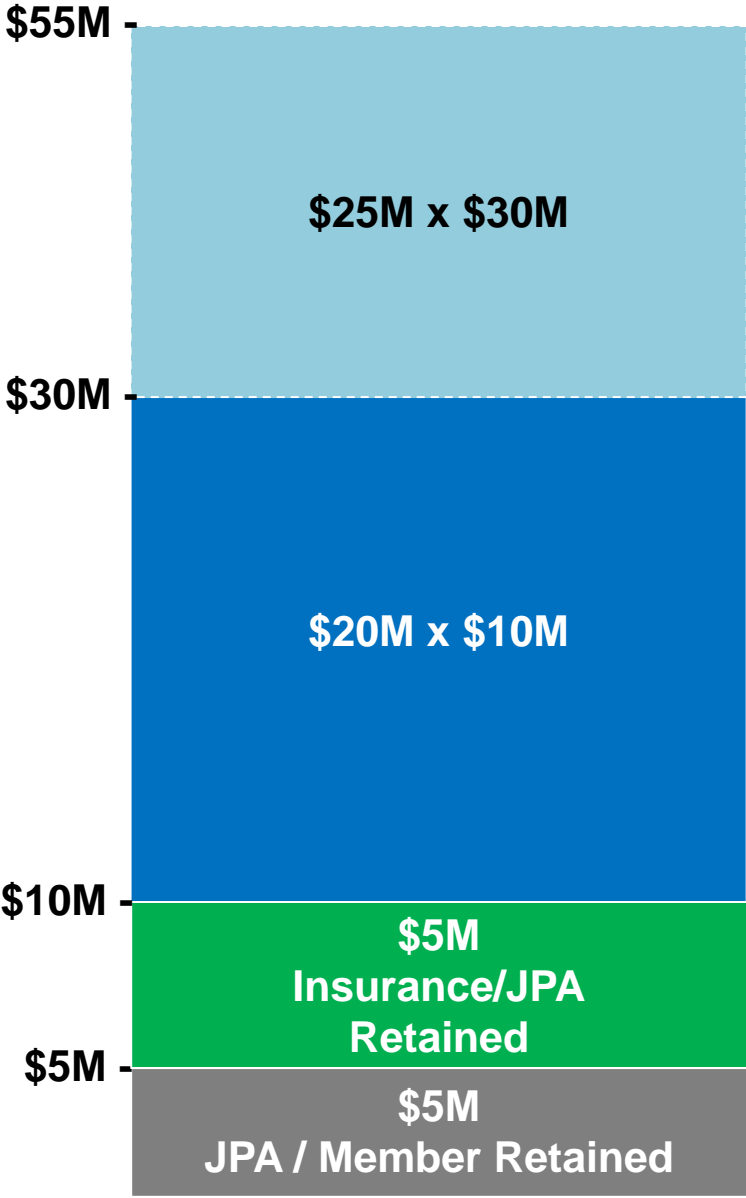
Loss Coverage Example



Molestation Case(s)

California JPA Excess Liability Pooling

Loss Coverage Example



Major Bus Accident



Do you have enough coverage???



San Mateo CCD – Our Story

- Recent Experience
 - Engaged in a review/revision of its insurance requirements for people doing business with the district
 - Adjusted requirements and put procedures in place to help monitor
- Result - lots of awareness around risk management from the college communities; and
- Lots of questions about risk around different college activities previously “under the radar”:
 - district led summer sports camps, sport program fund raisers and recruitment activities
 - associated students activities

What we looked at...

- Is current coverage enough?
- Are event specific policies needed?
- What kinds of coverage/limits are service providers asking of us?
 - For instance cyber liability requirements in contracts with clinical sites.

Obstacles

- No risk management department.
- Unfamiliarity with insurance landscape
 - Know what you have and why
 - Develop a good relationship with consultants/JPA
 - They can help you to understand the right questions to ask
 - Provide assistance developing policies and procedures

Things to know when you shop...

- To understand appropriate pricing, good placement and appropriate coverage then understand:
 - what you are trying to cover
 - what might happen
 - the reinsurance provider perspective
 - realities of the current climate around lawsuits and public agencies in California (deep pockets and no tort caps)
- Overall cost of coverage is important, but also work closely with Insurance consultant to:
 - understand current coverages
 - appropriateness of current coverages based on current college activities
 - what services are insurance providers offering
 - loss control dollars for safety training;
 - educational information such as webinars, newsletters, whitepapers;
 - on-site/physical assessments; legal consultation
- Insurance market landscape in California and nationally

Do you have enough coverage????



Now let's talk some real life...

Case I

Title: Keep your eye on the birdie.



Facts: Second day of Beginning Badminton Class. 55 yo male takes a shuttlecock into the eye.

Issues:

Was a Course Waiver taken?

Any Safety Instruction given?

Goggles? (even an option?)

Assumption of Risk?

Any failure to instruct?

Was there a lack of medical attention?

Status/Result: Ongoing litigation & TBD.



Your Coverage Implicated Here Is...?

General Liability (GL)

Your SIR/Deductible is in play.

Damages:

Economic-

Medical Bills

Wage Loss

Non Economic-

Pain & Suffering

Permanent Injury

Disfigurement

And, you incur attorney fees in defending.



Real Life Strikes Again...

Case II

Title: The case of the loose lips.

Subtitle: The Brown Act is your friend.

Facts: High ranking CCD official-I mean high ranking-contract is up for renewal.

During their term, Board makeup has changed i.e. foul winds are blowing.

Contract item was agendaized, etc. and discussed appropriately.

However, in the days after, certain Board members decide it is a good idea to go to the press and further discuss their view of the performance of the official.

Good or bad idea?

What is this result?

Bad idea wins!

“Parade of horrors” here:

Libel-defamation by written word

Slander-defamation by speech

Due Process Violations

Privacy Invasion

Brown Act Violations

Add all of this up and what do you get?

“A significant threat of litigation to the college.”

Your defenses?



Your Coverage Implicated Here Is...?

Employment Practices Liability (EPL)

Your SIR/Deductible is in play **and** beyond...

Damages

Economic

Wages & Benefits

Breach of Contract

Noneconomic

Mental Distress

Pain & Suffering & Humiliation

Attorney Fees-Defense

Attorney Fees-to plaintiff?

What did this equal to in this case?

\$5,000,000+



Last Case...A Hypothetical

CASE III

Transportation Exposure

College van w/ 6 students & driver error results in a crash. Waivers are essentially void due to driver action which increased the risk of being a passenger.

Various injuries:

- Two students escape injury

- One student w/arm fracture

- One student w/neck fracture (partial paralysis)

- One student w/head injury (TBI)

- One student w/spinal injury (full paralysis)

Your Coverage Implicated Here Is...?

Auto Liability

Again, your SIR/Deductible is in play and likely into your coverage tower for the student exposures.

Damages

Economic

Medical Bills past & future

Loss of Future Wage Earning Capacity

Life Care Plans

Noneconomic

Pain & Suffering

Permanency

So the question posed to you is...

Do we have enough coverage here?

Is it \$25m?

Is it \$35m?

Is it \$50m?

Is it \$75m?



Summarize & End Already!

1. Your broker relationship is important.
2. They are your “portal” to the market.
3. Review your Program: minimum at renewal.
4. Identify new risks & how to handle.
5. Learn from others.
6. Design your program to meet your needs.
7. What does the future hold for educational entities in CA?

Questions?

