The information provided here is for informational and educational purposes and current as of the date of publication. The information is not a substitute for legal advice. Consult your attorney for advice concerning specific situations.



How to Manage Rising Municipal Insurance Cost July 18, 2024



# How are property/liability premiums determined?

#### 1. Exposures

- For example:
  - Value of property
  - # of vehicles
  - # of officers
  - Payroll
- 2. Loss experience
- 3. Global factors

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#### Exposures





# How are property/liability premiums determined?

- Value of property
  - Example:

City Hall Replacement Cost Value \$10,000,000

- Vehicles
  - # of vehicles
  - Type of vehicle (police, sanitation, fire truck, etc.)

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# How are property/liability premiums determined?

- Liability
  - General liability
  - Public officials
  - Law enforcement liability





# How are property/liability premiums determined?

- Takeaway
  - Carefully review the annual renewal application
  - Review building & contents, inland marine and auto schedules annually
  - Ask your insurer if properties are appraised





# How are property/liability premiums determined?

#### 1. Exposure basis

- For example:
  - Value of property
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## **Loss Experience**





### **General Liability**

- Bodily injury and property damage
  - -Sidewalk defects/slip and falls
  - -Defective roadway/pothole claims
  - –Sewer backup





## Law Enforcement Liability

- Bodily injury and property damage
  - -False arrest
  - -Excessive use of force
  - -Wrongful death

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### **Public Officials Liability**

- Allegations against public officials
- Land use disputes
- Allegations of inappropriate employment practices

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Auto





- Common loss types
  - Insured hit vehicle
  - Improper backing
  - Failed to yield right of way
  - Hit stationary object
  - Rear-ended other vehicle













#### **Written Policies**

- Vehicle safety policy
  - Seat belts
  - Cell phone use/distracted driving
  - Vehicle inspection
  - Accountability/disciplinary process
- Reviewed by legal
- · Communicated to employees

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### **Driver Training**

• Proactive Training

- Driver training for new hires
- Annual driver training for employees
- National Safety Council Defensive Driving
- LocalGovU eLearning
- Remedial Training
  - After preventable loss

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Property





- Property
  - Buildings, structures
  - Contents
- Inland Marine
  - Mobile Equipment
  - Signs
  - Fences











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## How are premiums determined?

- 1. Exposure basis
  - For example:
    - Value of property
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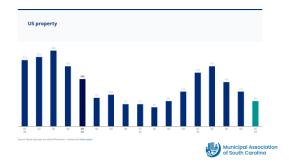
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### **Global Impacts - Property**

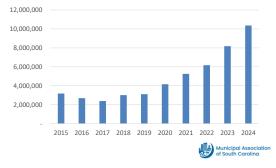
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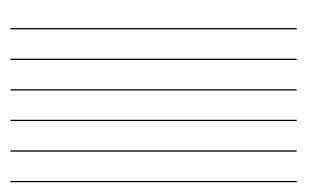






#### SCMIRF – Property Reinsurance Expense









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#### Historical Impact of Weather Vs. Today

- 1980 2023 averaged 8.5 severe weather events
- 2019-2023 averaged 20.4
- March 2024
  - 1 confirmed weather/climate severe storm disaster
- event in US with losses exceeding \$1 billion
- May 23
  - NOAA forecasters have increased the likelihood of an above-normal Atlantic hurricane season
  - NOAA's update to the 2023 outlook calls for 14-21 named storms, of which 6-11 could become hurricanes (winds of 74 mph or greater). Of those, 2-5 could become major hurricanes (winds of 111 mph or greater)

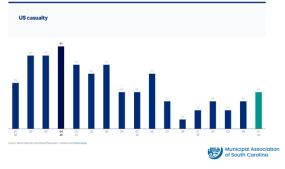
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### **Global Impacts - Liability**

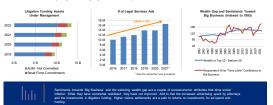






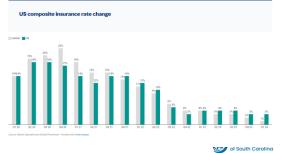
Social Inflation Fuels Loss Cost Trend Uncertainty

Large jury verdicts are often cited as evidence of social inflation. Underpinning outsized settlements are evolving trends that have caused bouts of claims frequency and severity beyond what was expected.











## Mitigating Global Factors

- Back to basics...
  - Property
    - Appraisals: data and valuations are key
  - -Liability
    - Maintenance
    - Policies and procedures
    - Training





## **Questions?**

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