

# ASCIP's 2020 Vision

Webinar - March 6, 2020

SESSION BEGINS AT 10:30 A.M.

The only thing  
worse than being  
blind is having sight  
and no vision –  
*Helen Keller*



# Introduction & Meeting Agenda

**Fritz J. Heirich**

Chief Executive Officer

Joined ASCIP in 2012

<https://www.linkedin.com/in/fritz-heirich-a4b7204/>

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# ASCIP 2020 Vision Webinar

## Meeting Agenda

- |   |  |
|---|--|
| 1. Introduction                                 | Fritz J. Heirich, Chief Executive Officer  |
| 2. Financial Report                             | Jeffrey C. Grubbs, COO & CFO               |
| 3. State of P&C Insurance Markets               | John Chino, Gallagher                      |
| 4. P&L Program Coverage Enhancements            | Fritz J. Heirich, Chief Executive Officer  |
| 5. 2020-21 Program Rates                        |  |
| • Health Benefits Programs                      | Dan Sanger, Exec. Director Health Benefits |
| • Workers Compensation Programs<br>Compensation | Nidra Kumaradas, Sr. Director Workers      |
| • Property & Liability Programs                 | Fritz J. Heirich, Chief Executive Officer  |
| 6. ASCIP Innovation Rewards                     | Reshan Cooray, Exec. Director P&C Programs |



# Financial Report

Jeffrey C. Grubbs, CPA, MST  
Chief Operating & Chief Financial Officer



# Financial Report

**Jeffrey C. Grubbs, CPA, MST**

Chief Operating & Chief Financial Officer

Joined ASCIP in 2019

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# Posted on ASCIP.org



A CLOSE-UP VIEW OF YOUR PROGRAMS' FINANCIAL STABILITY					
STATEMENT OF NET POSITION AS OF DECEMBER 31, 2019					
	Property & Liability	Workers' Compensation	Health Benefits	URP	Total
<b>ASSETS</b>					
Current Assets					
Cash and cash equivalents	\$17,021,702	\$2,521,148	\$5,016,502	\$3,405,048	\$107,555,400
Accounts receivable	12,495,677	2,425,127	489,889	3,558,741	18,969,334
Prepaid expenses and other assets	262,079	-	-	5,753,269	5,996,448
Investments	45,224,287	362,962	-	6,152,333	88,133,246
Total Current Assets	75,914,545	618,037	5,506,391	18,850,701	220,567,686
Noncurrent Assets					
Investments	106,530,935	154,193,133	-	3,397,611	264,121,679
Deposits	-	-	465,000	-	465,000
Capital assets, net	4,532,051	-	-	-	4,532,051
Total Noncurrent Assets	111,062,986	154,193,133	465,000	3,397,611	270,120,730
Total Assets	186,977,531	312,231,170	6,011,391	22,248,312	495,488,816
<b>DEFERRED INFLUENCE OF RESOURCES</b>					
Deferred outflows for pension & OPEB	811,440	288,097	430,716	-	1,530,253
<b>LIABILITIES</b>					
Current Liabilities					
Accounts payable	1,646,375	880,517	73,057	1,646,409	11,285,542
Unearned premium revenue	-	-	966	11,898,729	11,899,695
Premiums collected payable	-	7,596,100	610,702	-	12,615,711
Long-term agreement obligation	157,540	-	-	-	157,540
Park management deposit fund	733,551	2,609,093	-	-	5,940,584
Other contracts payable	645,096	594,895	-	-	1,180,051
Unpaid claims, IBNR, ULAE	373,464,421	21,028,300	620,472	29,457	455,192,250
Total Current Liabilities	469,533,988	32,118,905	1,364,235	18,974,591	522,001,719
Noncurrent Liabilities					
Unpaid claims, IBNR, ULAE	102,510,287	71,765,185	-	4,112,010	178,387,482
Net position for OPEB liability	1,195,551	440,445	670,834	-	2,306,830
Total Noncurrent Liabilities	103,705,838	72,205,630	670,834	4,112,010	180,700,312
Total Liabilities	573,239,826	104,324,535	2,035,069	23,086,601	702,706,033
<b>DEFERRED INFLUENCE OF RESOURCES</b>					
Deferred outflows for pension & OPEB	105,631	56,766	117,265	-	279,662
<b>NET POSITION</b>					
Invested in capital assets	4,532,051	-	-	-	4,532,051
Restricted	50,851,229	-	-	2,000,000	52,851,229
Unrestricted	77,680,441	111,548,335	465,000	1,252,003	190,945,779
Total Net Position	\$132,863,721	\$111,548,335	\$465,000	\$3,252,003	\$318,129,059

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION YEAR ENDING DECEMBER 31, 2019

	Property & Liability	Workers' Compensation	Health Benefits	URP	Total
<b>REVENUES</b>					
Member contributions	\$ 55,244,285	\$ 38,446,234	\$ 156,305,101	\$ 4,730,419	\$ 254,806,749
Investment income	6,903,594	8,462,059	1,271,240	1,011,021	16,648,914
Total Revenues	62,147,879	46,908,293	157,576,341	5,741,440	272,474,953
<b>EXPENSES</b>					
Claims expense	97,211,510	11,635,540	77,130,894	568,208	186,546,152
Provision for case reserves, IBNR, ULAE	20,025,771	6,073,304	446,640	1,234,791	28,380,506
Expense for non-claim reserves	11,527,732	1,701,417	5,294,493	1,021,158	19,544,793
Health benefits insurance premiums	-	-	62,157,800	-	62,157,800
Contract expense	1,865,000	5,641,107	4,690,800	1,536,069	13,732,976
Loss control and risk management	3,439,713	995,412	100,301	-	4,535,426
General and administrative	4,729,400	2,123,731	2,120,327	222,415	9,200,873
Total Expenses	138,798,726	25,129,601	185,986,008	44,551,817	394,466,152
Net income (loss) from operations	(56,650,847)	21,778,692	7,389,537	4,289,623	(23,203,005)
<b>ADJUSTMENTS</b>					
Dividends to members	-	(7,096,189)	(6,041,493)	-	(13,137,682)
Fund Transfer	2,307,775	-	0,307,279	-	2,615,054
Income (losses) in Net Position	(4,439,659)	13,655,407	(2,020,501)	4,730,419	(2,074,294)
Net position, beginning of year	51,884,110	87,884,479	51,314,121	3,518,126	194,600,836
Net position, end of year	\$ 47,444,451	\$ 101,539,886	\$ 49,293,620	\$ 7,748,545	\$ 206,026,502



PHIL HILLMAN,  
Chief Business Officer  
for Ontario-Montreal  
School District  
ASCIP Executive  
Committee Member

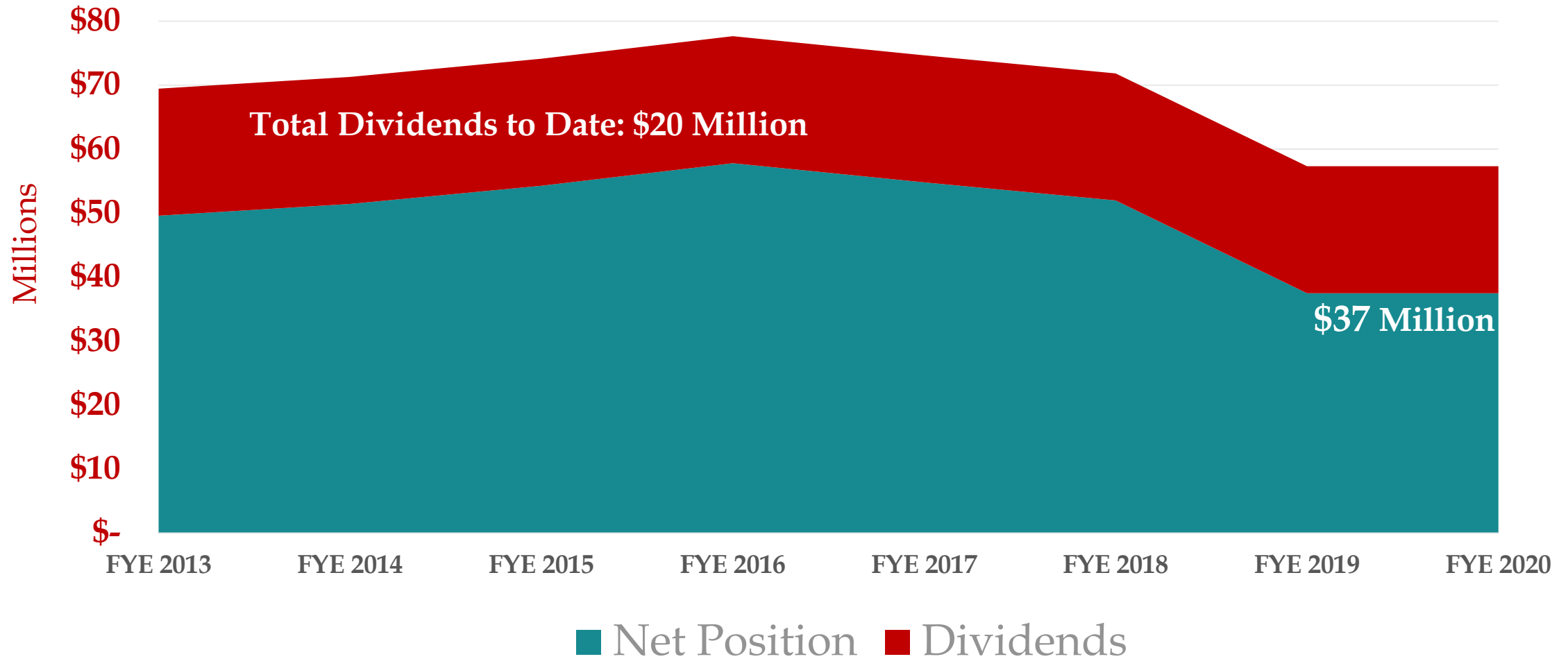
# Property & Liability Program

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- General Liability
- Childhood Sexual Assault
- Property
- Auto Liability
- Auto Physical Damage
- Crime
- Cyber Risk
- Student Accident
- Boosters Clubs

# Property & Liability Program

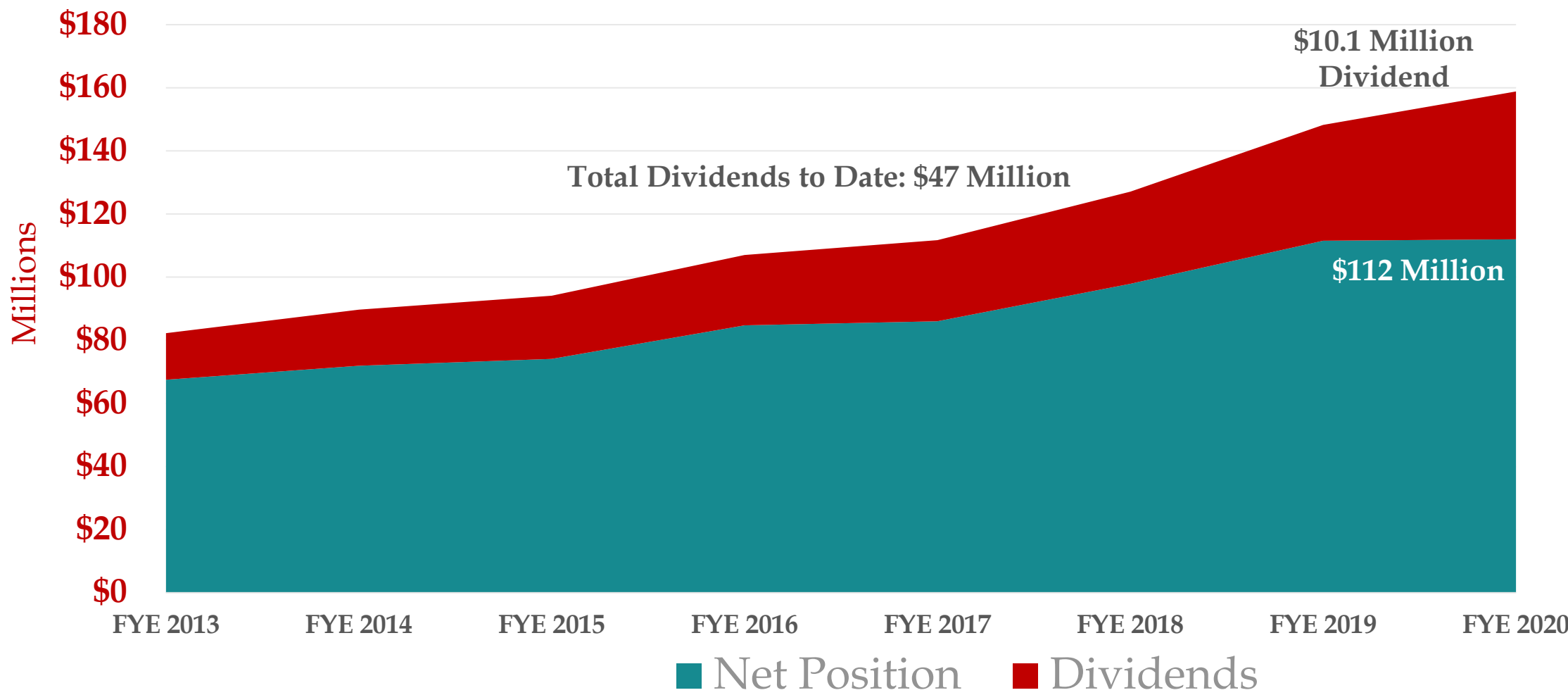
## 8-Year History of Net Position (Equity)





# Workers' Compensation Program

## 8-Year History of Net Position (Equity)



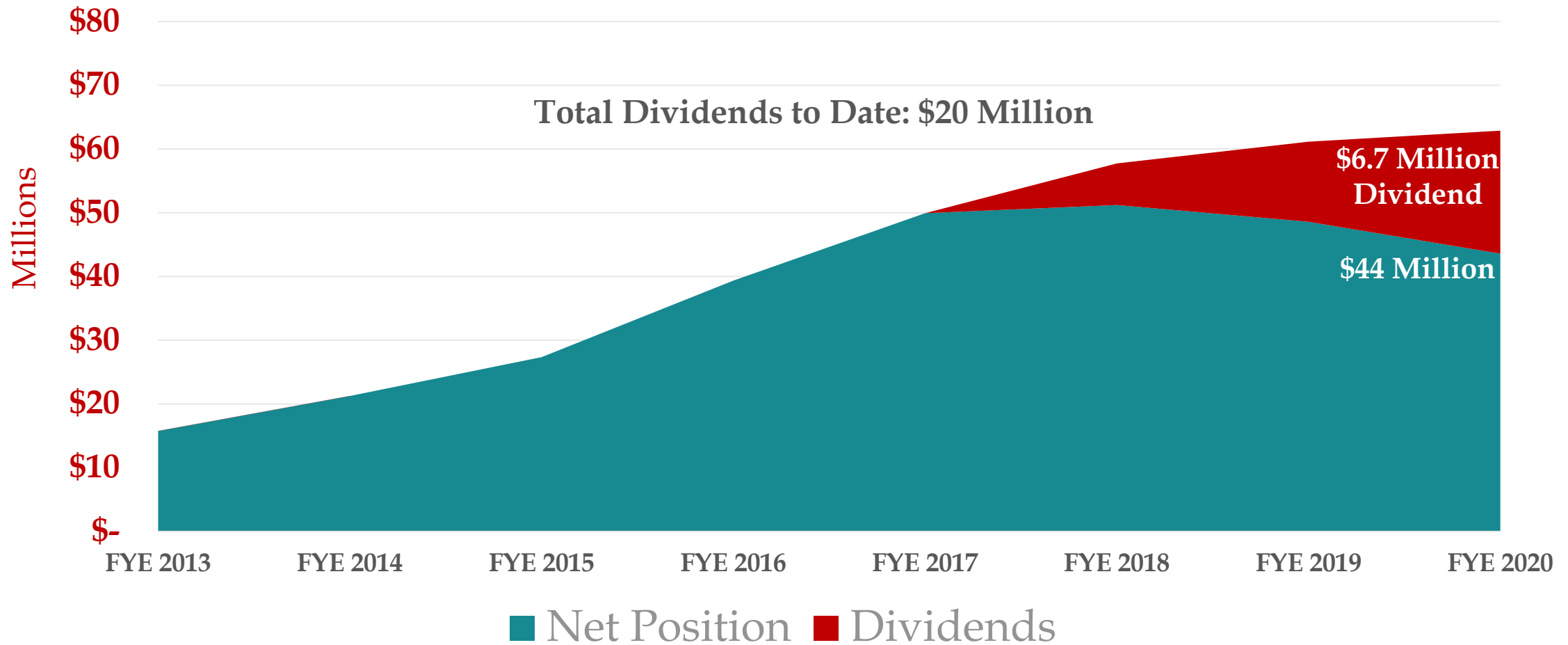
# Health Benefits Program

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- Medical
- Dental
- Vision
- Life
- Long-Term/Short-Term Disability
- Employee Assistance Program
- Social Security Alternative Plan

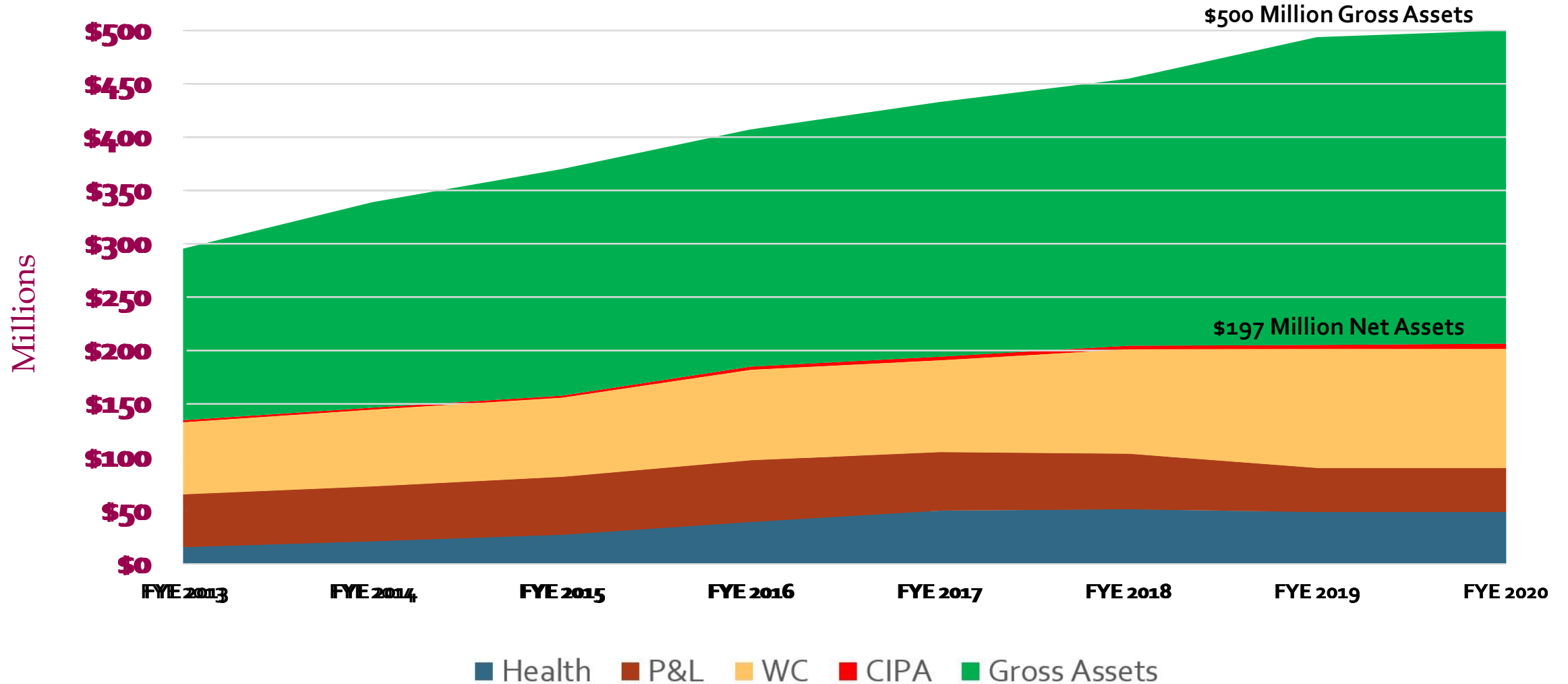
# Health Benefits Program

## 8-Year History of Net Position (Equity)



# All Programs Consolidated

## 8-Year History of Net Position (Equity)



A stylized graphic of a pencil with a yellow body and red bands, positioned vertically on the left side of the slide.

# State of P&C Insurance Markets

John Chino

Area Senior Vice President, Gallagher

A large, stylized chevron graphic on the right side of the slide, composed of two parallel lines in red and teal colors.

# State of the Insurance Markets

## John Chino

Arthur J. Gallagher, Area Sr. Vice President

Began working with ASCIP in 1987

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## The West is burning and other bad news... Part II

John Chino | March 6, 2020



**Gallagher**

Insurance | Risk Management | Consulting

## Hard Market

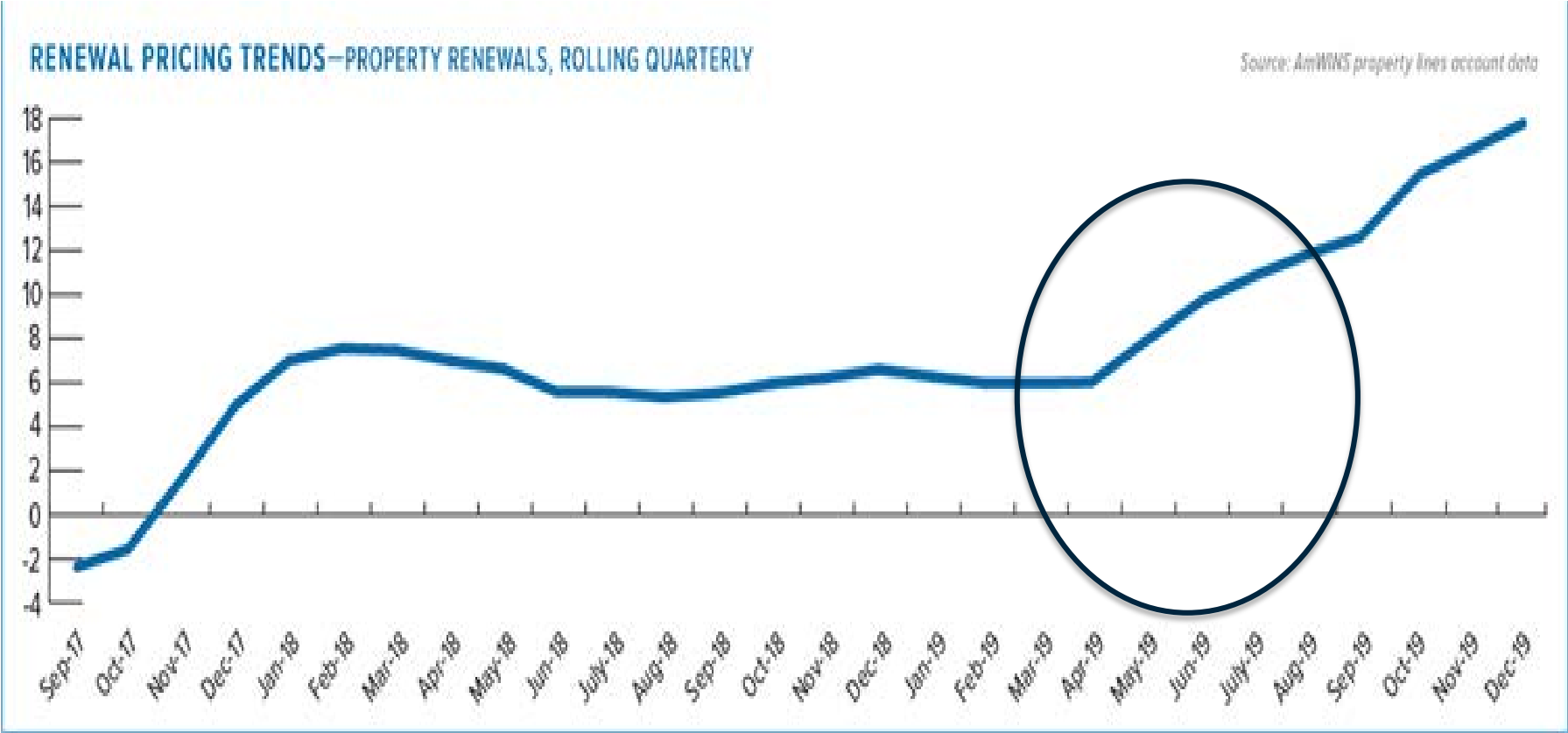
Hard Markets are characterized by decreased limits, increased retentions and sky high premiums and in some cases no coverage at all.





# Property Rates Rising with Zest!

Rate Increases went up in 3Q of 17 and then again in 2Q of 19...

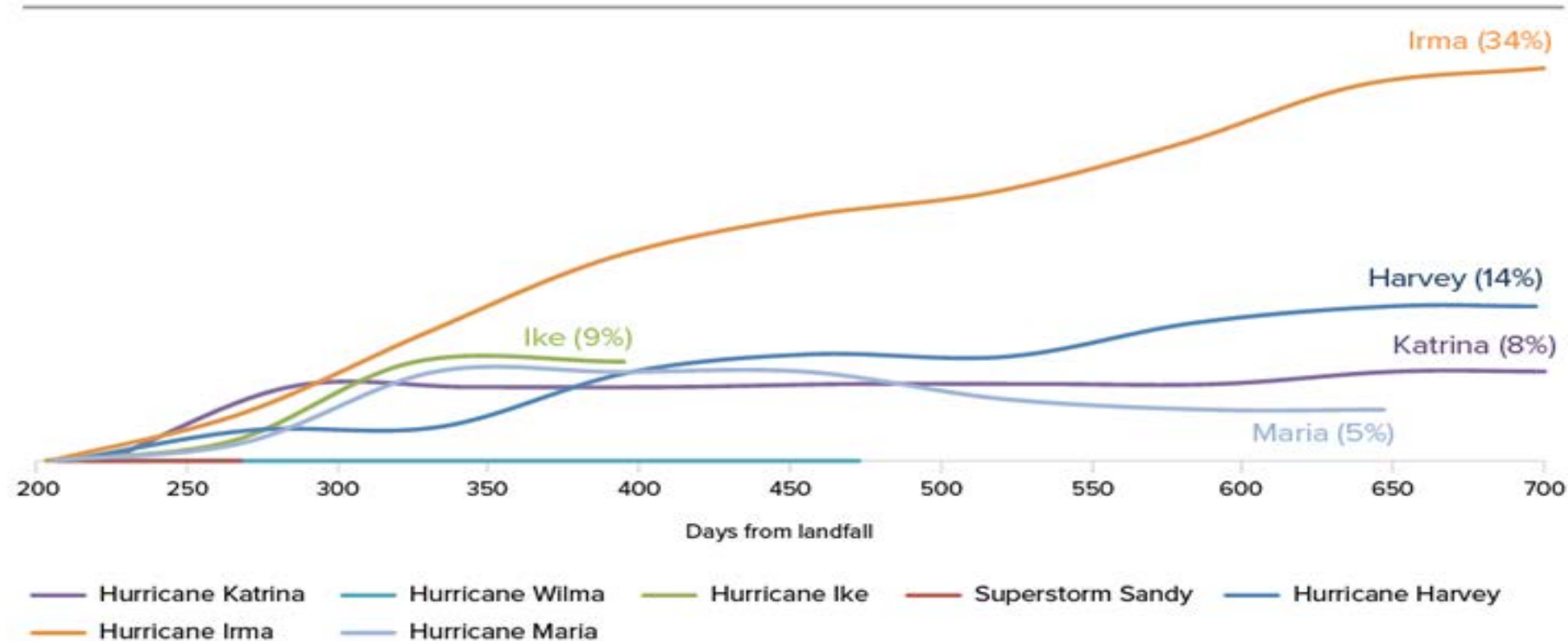


# Property Rate Rises..

Because the cost of property losses have changed for the worse!

## LOSS DEVELOPMENT

Exhibit 7: Claims Development for Costly North Atlantic Hurricanes 2000 to 2017<sup>3</sup>



Source: Guy Carpenter, PCS

3. This graphic uses data from Property Claim Services (PCS) to show the development of claims (in percentage terms) for a selection of U.S. hurricanes since 2000, starting at 200 days post-landfall and leading up to 700 days. All incurred an ultimate insured cost in the U.S. of more than USD 10 billion.

# California School Renewals in 2019

## It's not a pretty picture

- I. Super Pools had more tempered increases than smaller JPA's
  - A. ASCIP was up 10%
  - B. SAFER was up 12%
  - C. CSAC up 15%

Smaller Pools saw increases that average approximately 40% over prior year with some seeing increases of 15% and others 100% or more.

**Worse Yet: Our own private school clients saw increases of 200% to 400%**

**For Example: Oaks Christian in Westlake watched insurance costs increase from \$65k to over \$350k and for less coverage.**

# Social Inflation Impacts Liability

## Liability is no peach either

Since January, our team has met with executives from many of our top carriers to discuss market trends, the current rate environment and the challenges they are seeing ahead. In all of those meetings, the topic of **social inflation** was used to describe the challenges facing today's casualty marketplace. Social inflation is something we haven't had to pay too much attention to until recently, but it is generally **defined as the increase in insurance costs due to rising litigation, larger jury verdicts and overarching anti-corporate sentiment in the economy.**

## MEDIAN AVERAGE: TOP 50 US VERDICTS



Source: Shaub, Ahmuty, Citrin & Spratt.  
<https://mvvsp1.5gcdn.net/eac2fddf5b9b403c84c35ebc1bf20320>

# Reinsurance & Excess Insurance

**Net Premiums Written, U.S. Property/Casualty Reinsurers, 2009-2018 (\$000)**

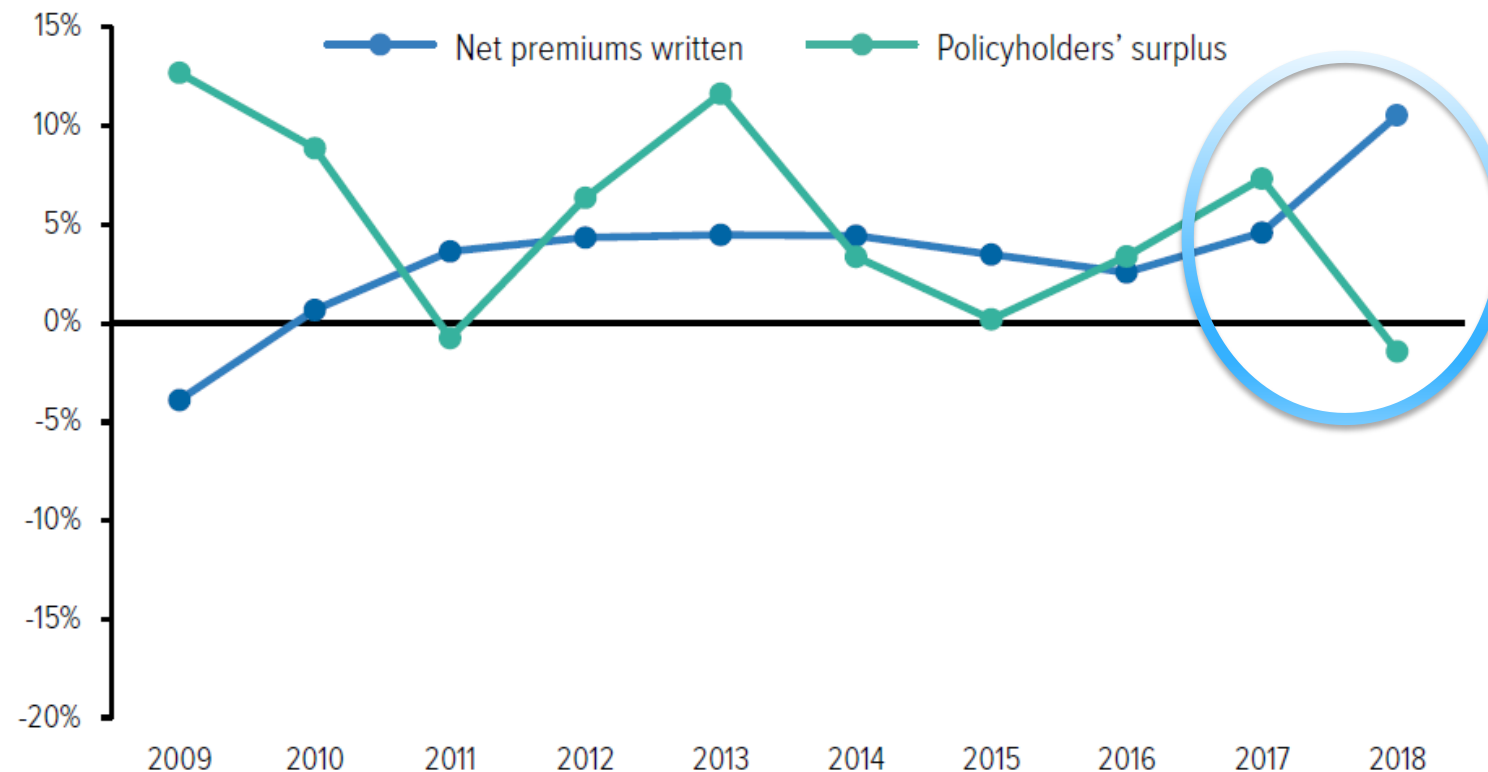
Year	Net premiums written	Annual percent change	Combined ratio <sup>1</sup>	Annual point change
2009	\$25,548,851	-3.4%	92.3	-8.1 pts.
2010	25,722,426	0.7	94.5	2.2
2011	27,897,553	8.5	107.1	12.6
2012	31,649,616	13.4	96.2	-10.9
2013	29,144,853	-7.9	86.8	-9.4
2014	50,012,241 <sup>2</sup>	71.6	91.0	4.2
2015	41,466,073	-17.1	92.3	1.3
2016	42,507,830	2.5	95.1	2.8
2017	48,967,222	15.2	108.4	13.3
2018	63,153,563	29.0	103.3	-5.1

<sup>1</sup>After dividends to policyholders. <sup>2</sup>Includes National Indemnity Co.'s loss portfolio and quota share agreements with affiliated GEICO companies.

Source: Reinsurance Association of America.

# Policyholder Surplus Better ??

Percent Change From Prior Year, Net Premiums Written And Policyholders' Surplus, P/C Insurance, 2009-2018<sup>1</sup>



<sup>1</sup>After reinsurance transactions, excludes state funds.

Source: NAIC data, sourced from S&P Global Market Intelligence, Insurance Information Institute.

A stylized graphic of a pencil with a yellow body and red bands, positioned vertically on the left side of the slide.

# Property & Liability Program Coverage Enhancements

Fritz J. Heirich  
Chief Executive Officer

A large, stylized chevron graphic on the right side of the slide, composed of two parallel lines in red and teal colors.

# Property & Liability Program

## ASCIP's Property Reinsurance Renewal

- Continued Large Claim Experience into the Reinsurance Layer
  - \$6.5 million structural fire (employee's personal space heater)
  - Additional \$5.5 adverse development on prior claims
- 2017-19 California Wildfires
- Property Reinsurance Market Dislocation (i.e. a "hard" market)
- 2019 Renewal: +64% increase in overall reinsurance cost
- 2020 Renewal: possibly another +50% increase



# Property & Liability Program

## Property Coverage Changes for 2020-21

### 1. Builders' Risk Coverage

- Will now require projects to be enrolled.
- Limit of \$300,000 per project unchanged.
- Higher Limits Available.

### 2. Upgrades Mandated by Code or Ordinance

- Clarification that covered upgrades apply only to **damaged** property.
- Coverage extended to undamaged/non-covered property subject to a sublimit of 20%/\$1 million.

### 3. 2-Year Requirement to Begin Repair, Rebuild, Replace

# Property & Liability Program

## Liability Coverage Challenges

### Claims Arising out of an Allegation of Childhood Sexual Assault (CSA) is Now its “Own Thing”

- Overtaking all other types of liability combined: 40-50% of the expected liability losses...Today!
- AB 218!
- CSA results are highly volatile and becoming more difficult to trend even without AB 218.
- Commercial insurers and markets are greatly restricting coverage, if not declining to cover.

### Not Just CSA Claims...

- California Ranked the Worst Litigation “Hellhole” by the American Tort Reform Association.
- “First Among the Worst” (worse than Chicago, New York City, West Virginia, Louisiana).

# Property & Liability Program

## Recent & Notable Childhood Sexual Assault (CSA) Litigation

- **November 2014:** \$140 million settlement by LAUSD.
- **April 2018:** \$500 million settlement by Michigan State.
- **May 2018:** \$31 million settlement by Torrance USD.
- **June 2018:** \$25.3 million verdict against a private school in Long Beach.
- **August 2019:** NY Child Victim Act – 1300 suits filed in the first 5 months.
- **January 2020:** California – AB 218.
- **February 2020:** Boy Scouts of America bankruptcy.
- 2 dozen Catholic Dioceses (approx. 1/6) have filed for bankruptcy protection due to molestation settlements/verdicts.
- **Result:** California Settlements/Verdicts \$1-\$7 million per victim.



# Property & Liability Program

## AB 218 – The California Childhood Victims Act

Provides for both Retrospective and Prospective changes:

### Retrospective:

- Opens a 3-year “look-back” window for claims previously barred.

### Prospective:

- Extends the exception to the Gov’t Tort Claims Act for to 40 years of age (and later for some situations.)
- Creates a new treble damages provision for “cover-ups”.

# Property & Liability Program

## Implications of AB 218 on Insurance Coverage & JPA's

### Retrospective:

1. Defending and Litigating claims from events many years ago will be much more challenging.
2. Coverage was provided (and premiums determined) assuming the protections of the Gov't Tort Claims Act.
3. May produce hundreds of millions in additional costs statewide to insurers, reinsurers and JPA's.

### Prospective:

1. Can no longer reasonably estimate the number of claims (AND the cost level) which may be made many decades into the future.
2. "Occurrence Coverage" for CSA claims is no longer practicable or economically viable.
3. Commercial Insurers and Reinsurers are quickly moving to exit this coverage.

# Property & Liability Program

## Liability Coverage Change for 2020-21

For claims arising out of allegations of Child Sexual Assault (CSA):

- Coverage for CSA claims will be provided on a “**Claims-Made**” basis.
- Coverage will be distinguished separately from General Liability coverage.
- Coverage will be defined in a separate section of the Memorandum of Coverage.
- Childhood Sexual Assault is specifically defined.
- Coverage limits and deductibles will be the same as provided for GL claims.
- A separate rate will be used for CSA coverage.
- All other coverage for liability claims will continue to be provided on an “Occurrence” basis.
- ASCIP will guarantee issuance of “tail” coverage.

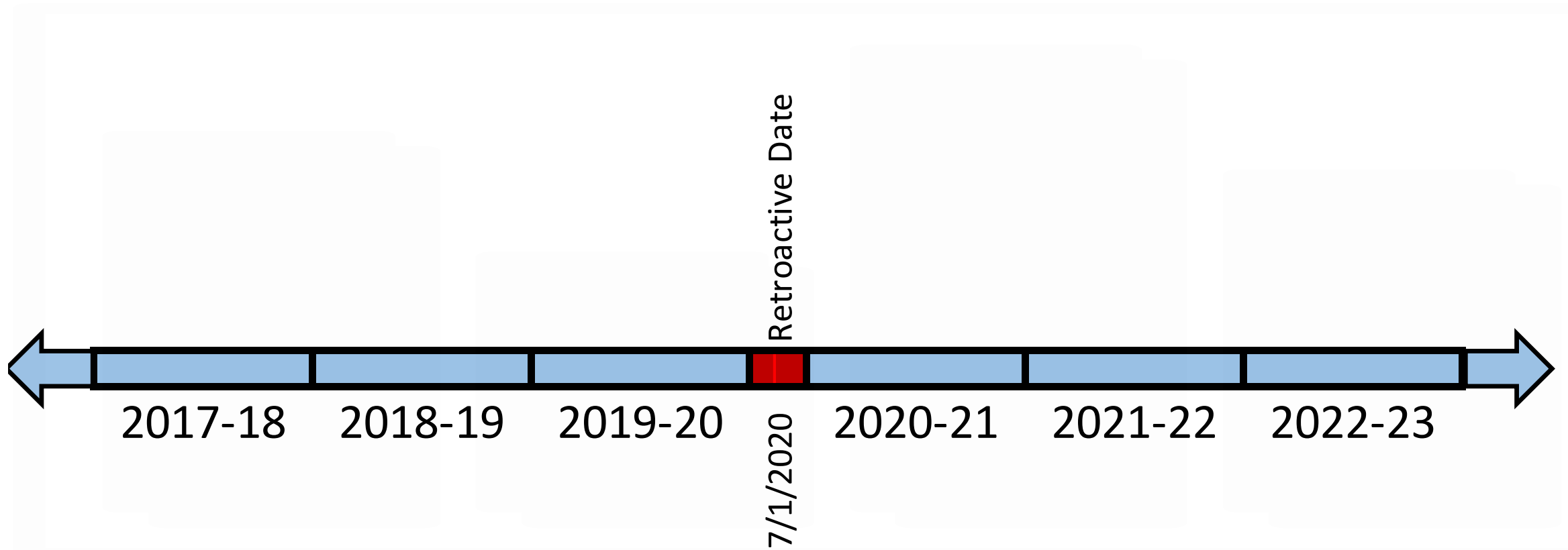
# Property & Liability Program

## Liability Coverage Change for 2020-21

**“Claims-Made”** coverage will require members to promptly report to ASCIP the following events when involving an allegation of CSA:

1. Written claims for damages made against the District.
2. Lawsuits filed against the District.
3. An arrest or criminal charges brought against an employee or volunteer of the District.
4. An investigation by the member, or another governmental agency, into an allegation of CSA by an employee or volunteer of the District.
5. Disciplinary action taken against an employee or volunteer of the District.
6. An event that results in, or requires, reporting to the California Teacher Credentialing Commission.

## Occurrence Coverage Prior to 7/1/20; Claims-Made Coverage After 7/1/20





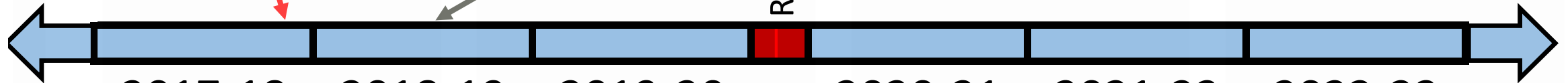
Occurrence 6-1-2018

Claim Reported: 10-1-2018

Retroactive Date

7/1/2020

Coverage Provided



2017-18

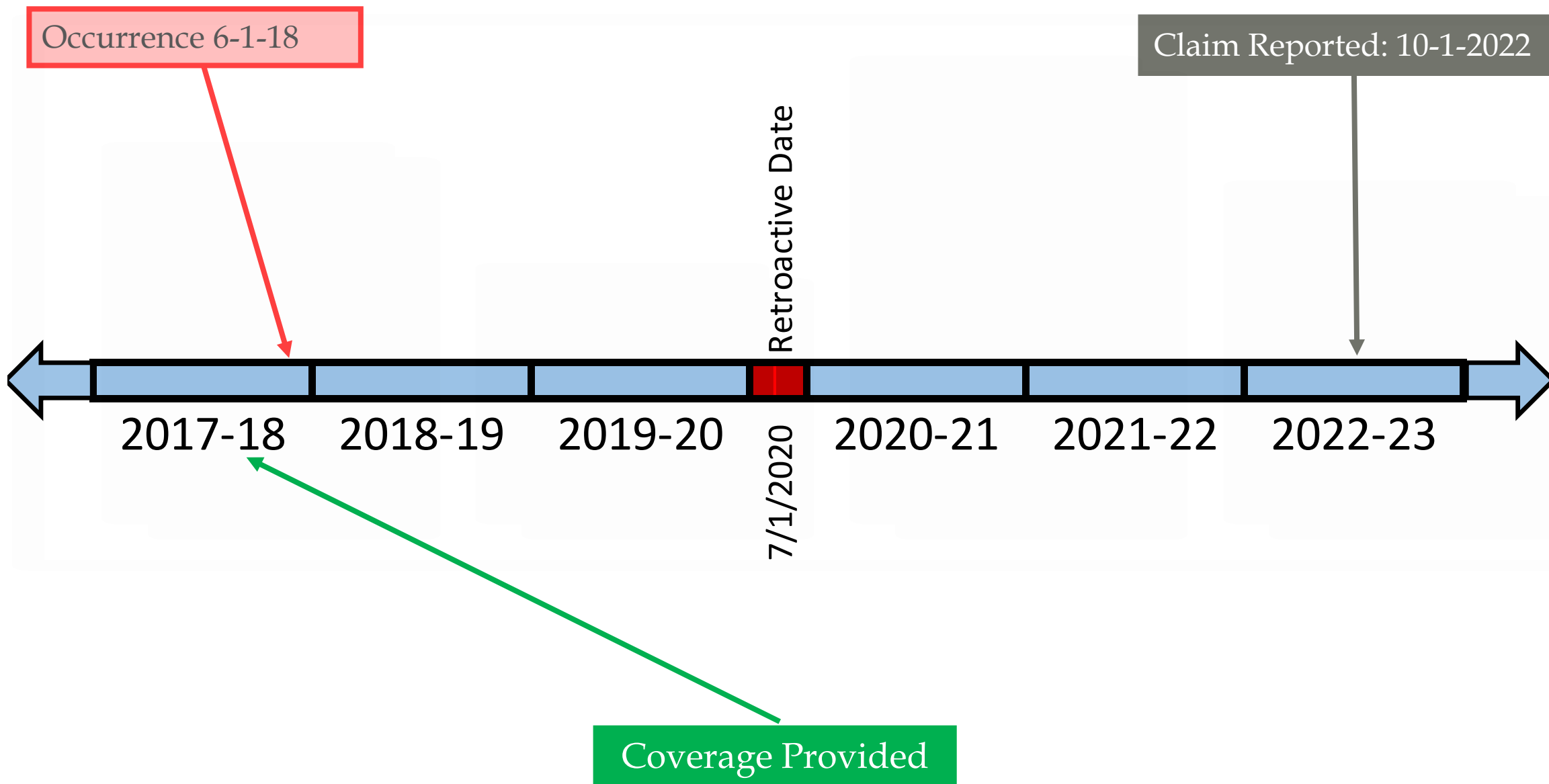
2018-19

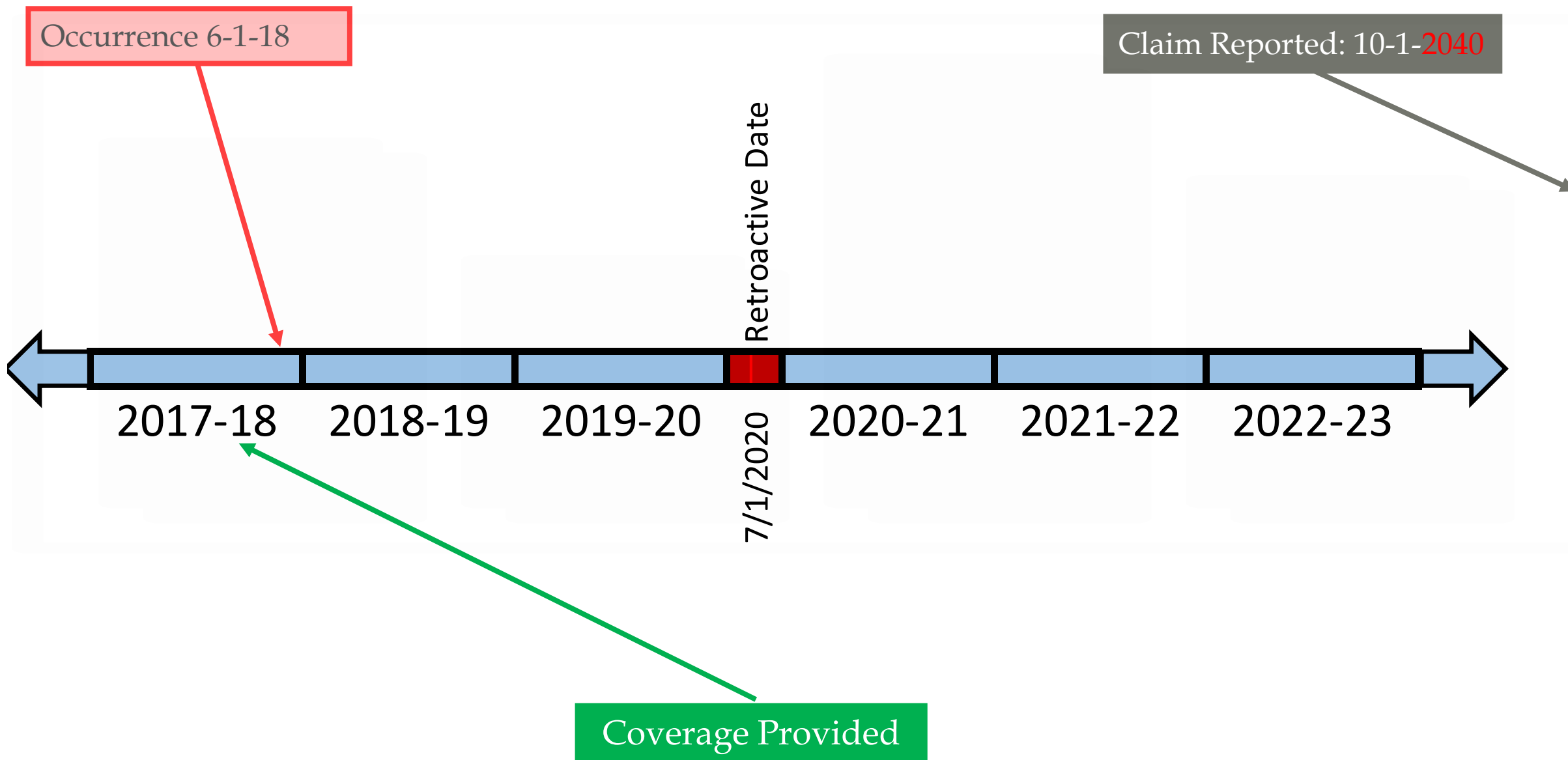
2019-20

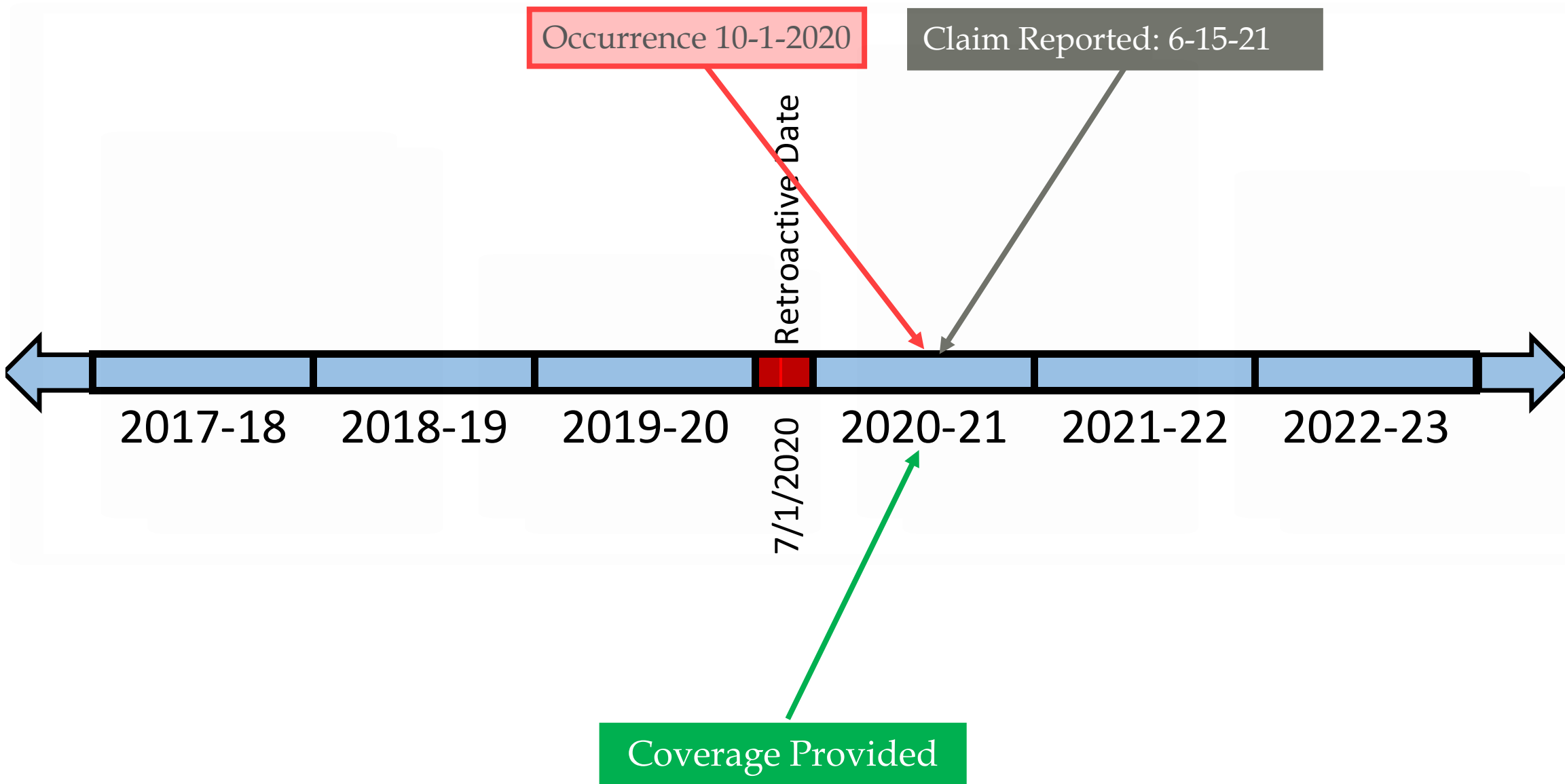
2020-21

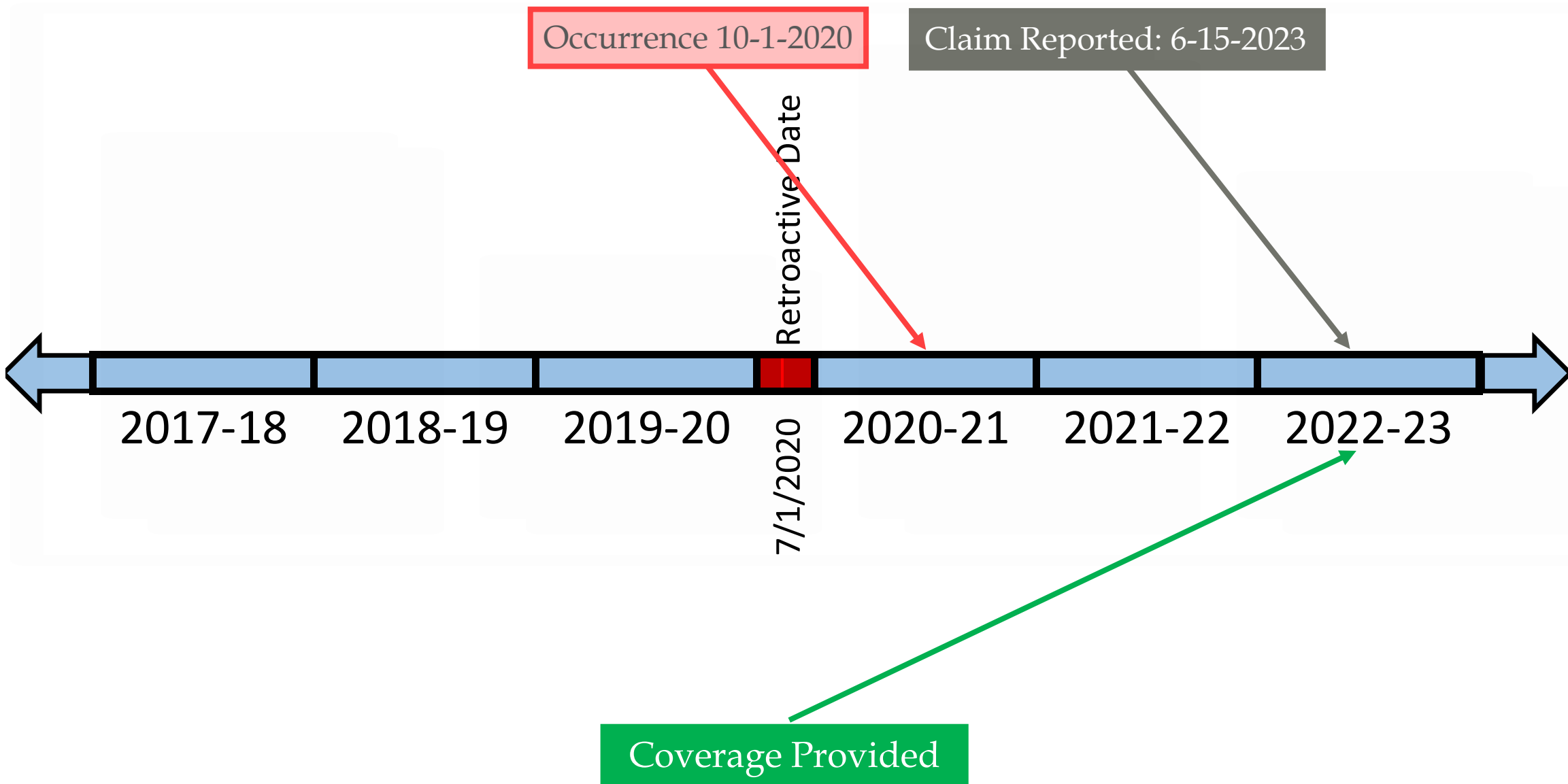
2021-22

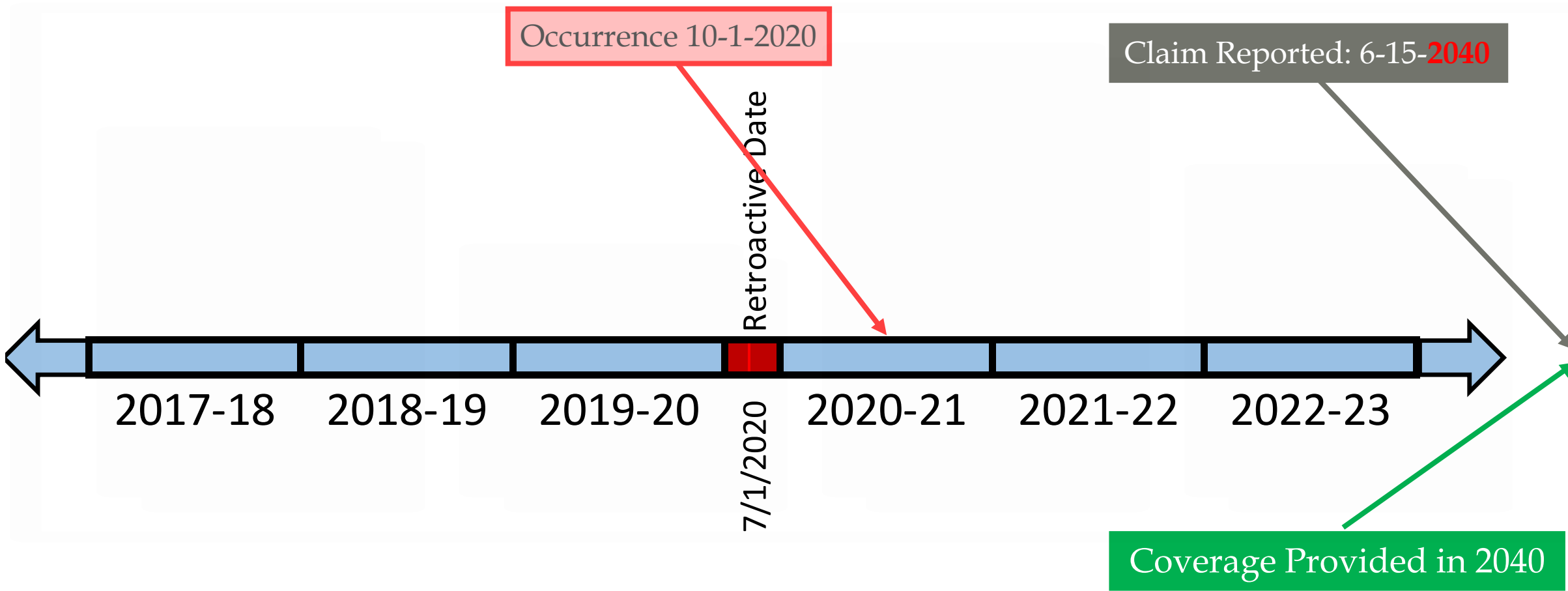
2022-23







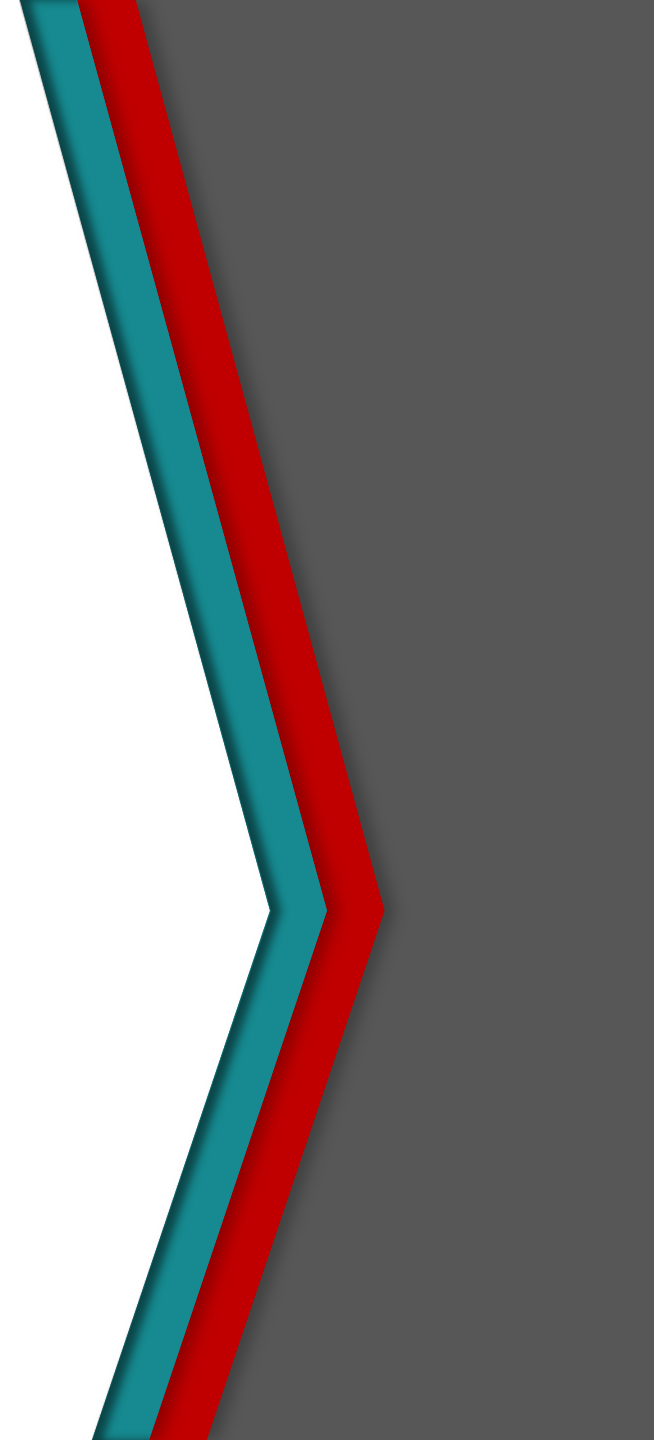






# The 2020-21 Horizon Health Benefits Rate Ranges

Dan Sanger  
Executive Director of Health Benefits



# Health Benefits

**Dan Sanger**

Executive Director of Health Benefits

Joined ASCIP in 2009

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# Health Benefits Program

## Renewal Rate Change Projections 2020-21

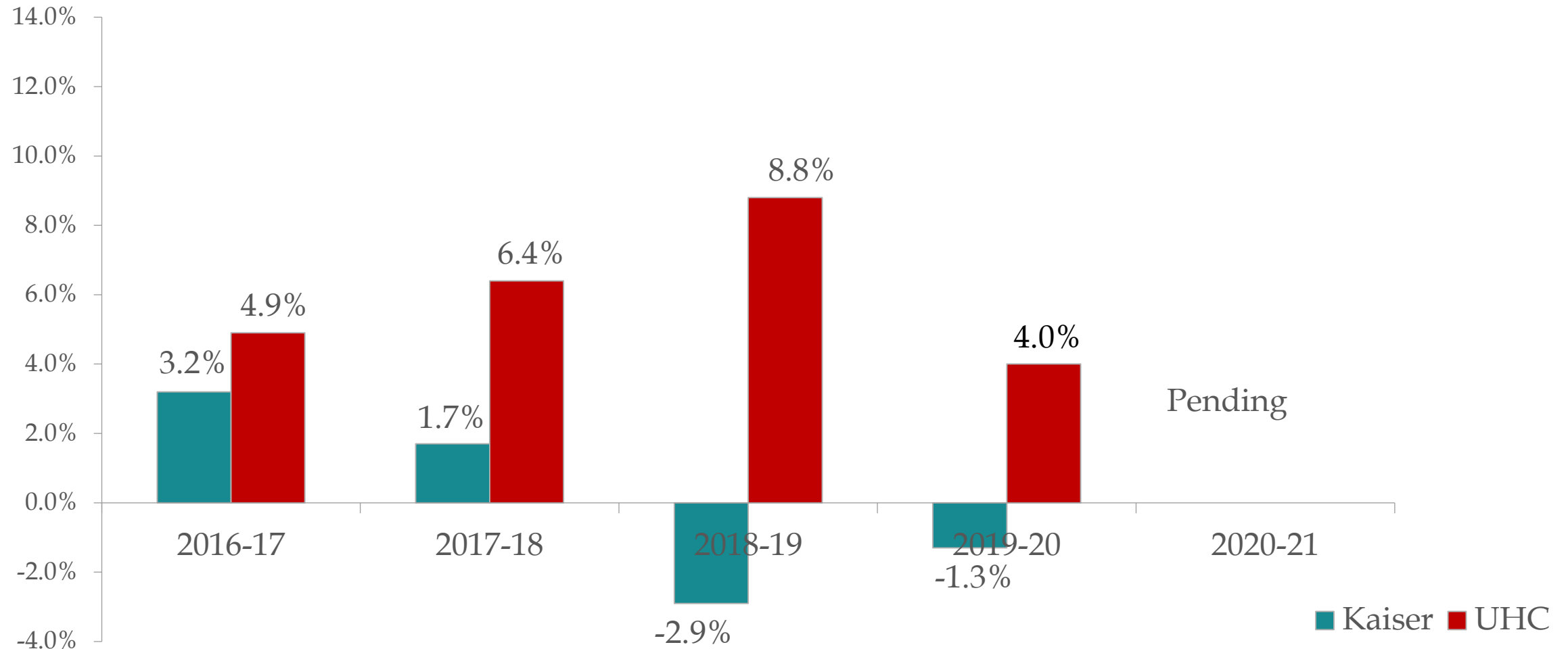
Carrier/Coverage	Percentage Change
Delta Dental PPO	Range: -3 to 2% (average ~ -2%)
VSP Vision PPO	Range: -3% to 2% (average ~ 0%)
Voya Life & Disability	0%

# Health Benefits Program

## Renewal Rate Change Projections 2020-21

Carrier/Coverage	Percentage Change
Kaiser	Pending: May 2020
UnitedHealthcare HMO & PPO	Pending: May 2020
Anthem/Blue Shield HMO & PPO	Range: 2% to 6.5% (average ~ +4%)

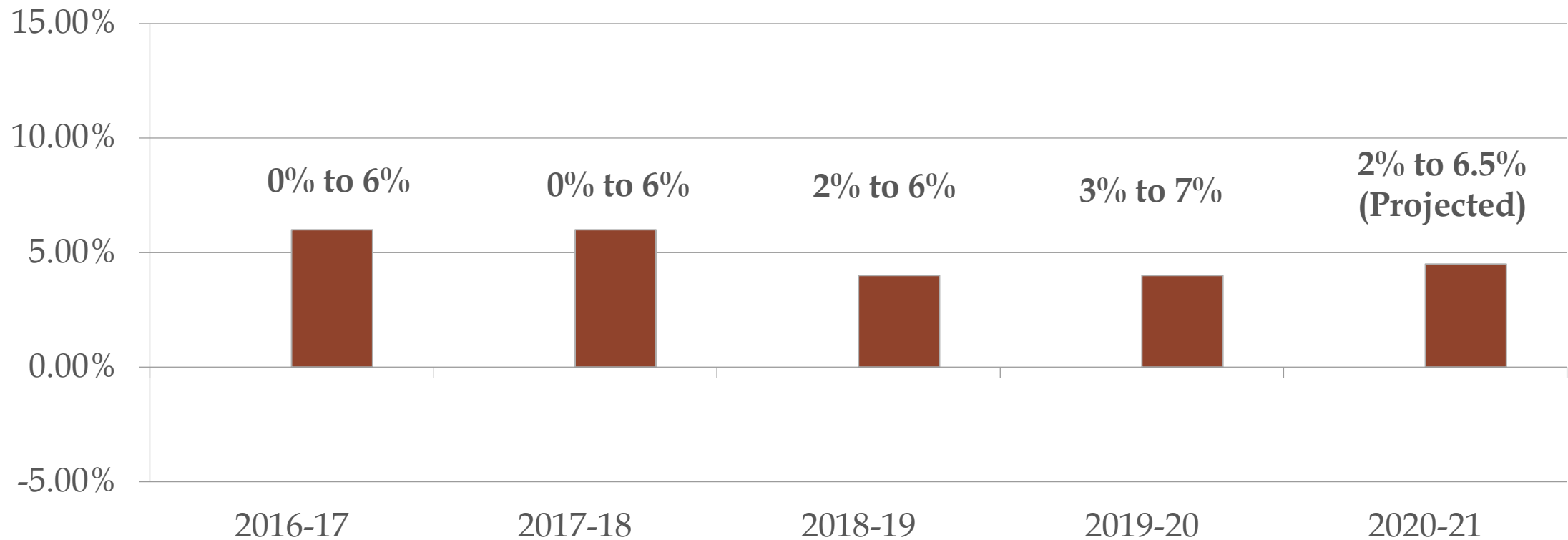
# Health Benefits Program – Fully Insured Medical Four-Year Rate Change History



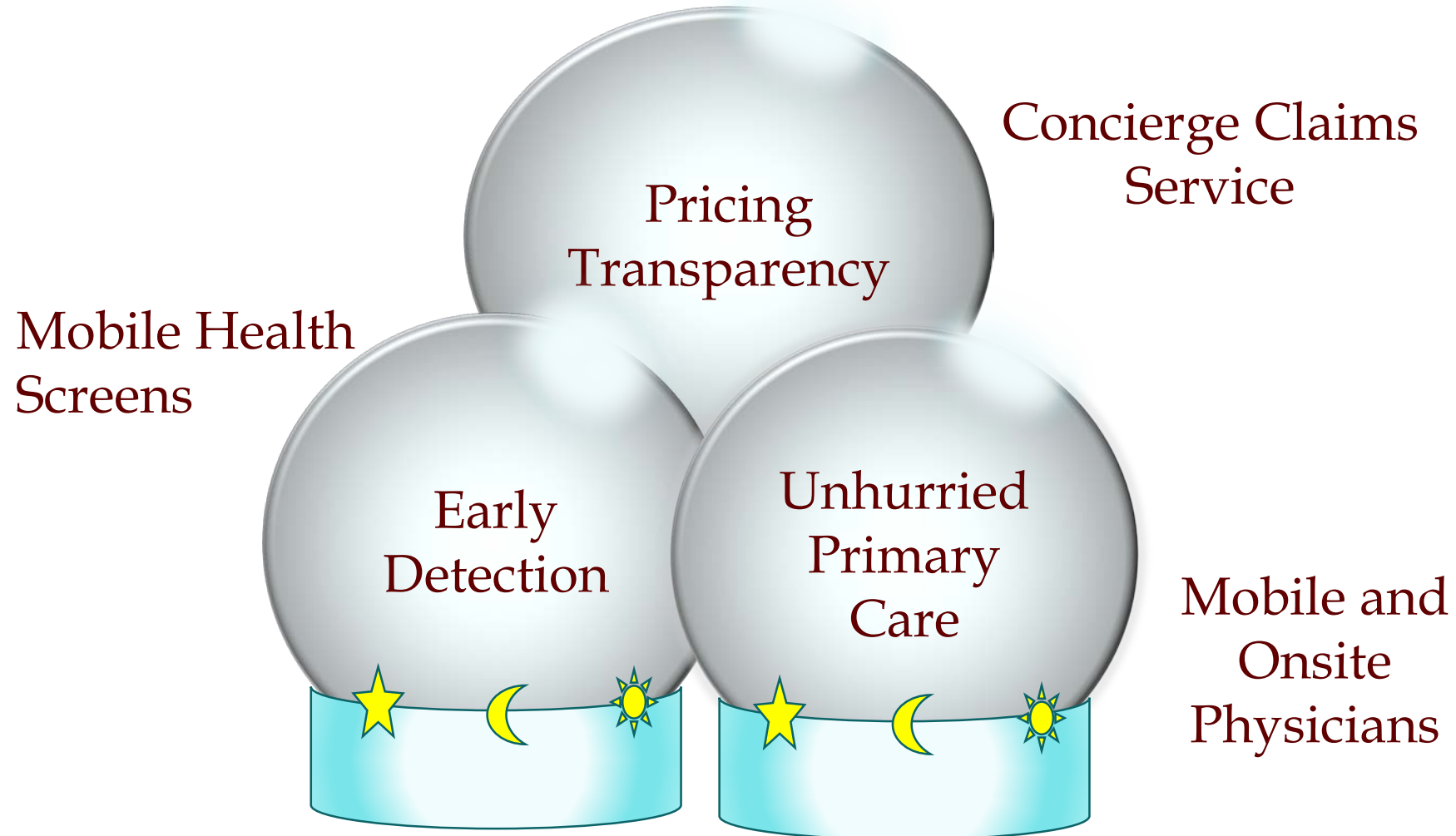
# Health Benefits Program - Self-Funded Medical

## Anthem & Blue Shield HMO/PP0

### Five-Year Rate Range History



# ASCIP Vision: Bend the Trend by Changing the Rules





# The 2020-21 Horizon Workers' Compensation Rates

Nidra Kumaradas  
Senior Director of Workers' Compensation



# Workers' Compensation

**Nidra Kumaradas**

Senior Director of Workers' Compensation

Joined ASCIP in 2015

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Telephone: (562) 677-2016



# Workers' Compensation Program

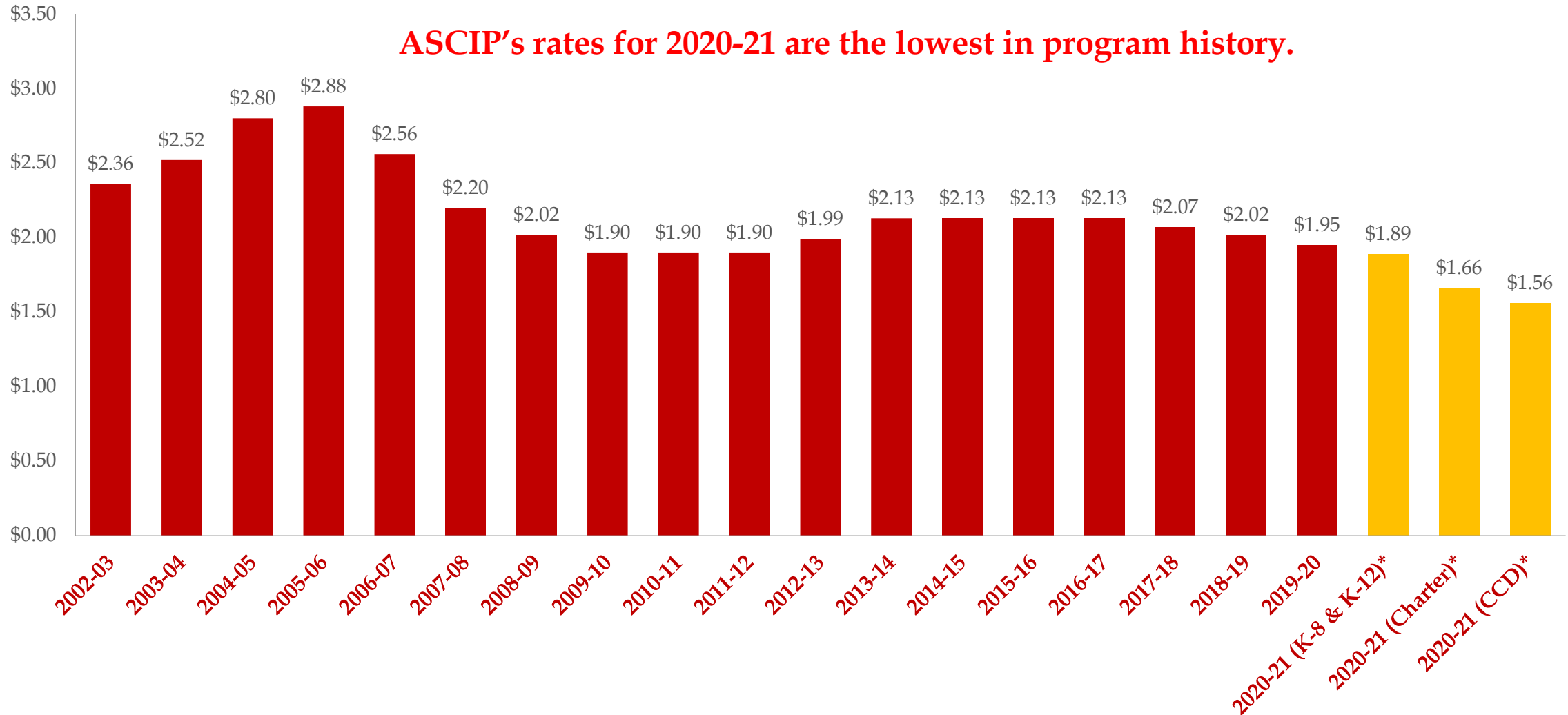
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- Immediate investigation of all employee incidents by District members.
- Nurse triage increasing self-care to over 45%.
- Developing trust-based relationships with frontline medical clinics, reducing claim lifespan and increasing employee satisfaction.
- Return to work with focus on accommodating work restrictions.
- Effectively resolving case issues to drive early claim closure.
- Risk Management Consultants analysis of historical data.
- Never be complacent, ASCIP's WC team works for you to make a great program even better.



# Workers' Compensation Program

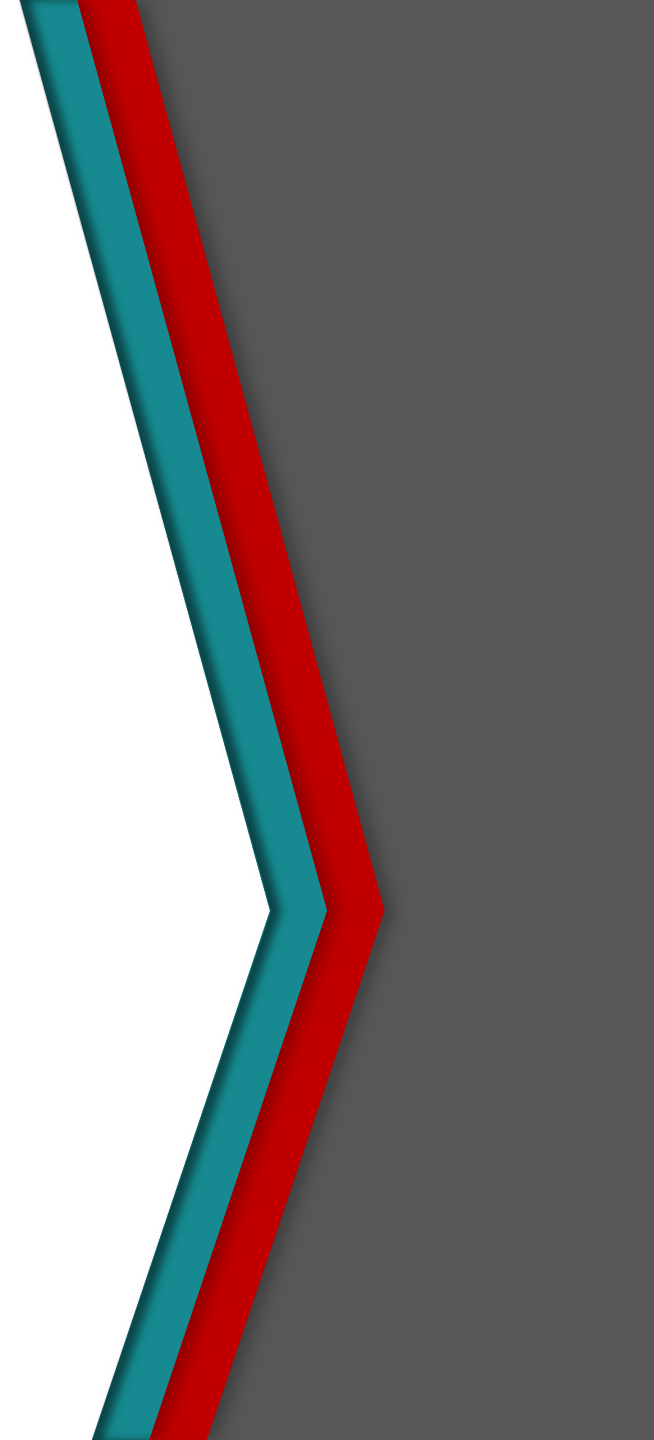
## "1<sup>st</sup> Dollar" Coverage Premium Rate History





# The 2020-21 Horizon Property & Liability Rates

Fritz J. Heirich  
Chief Executive Officer



# Property & Liability Program

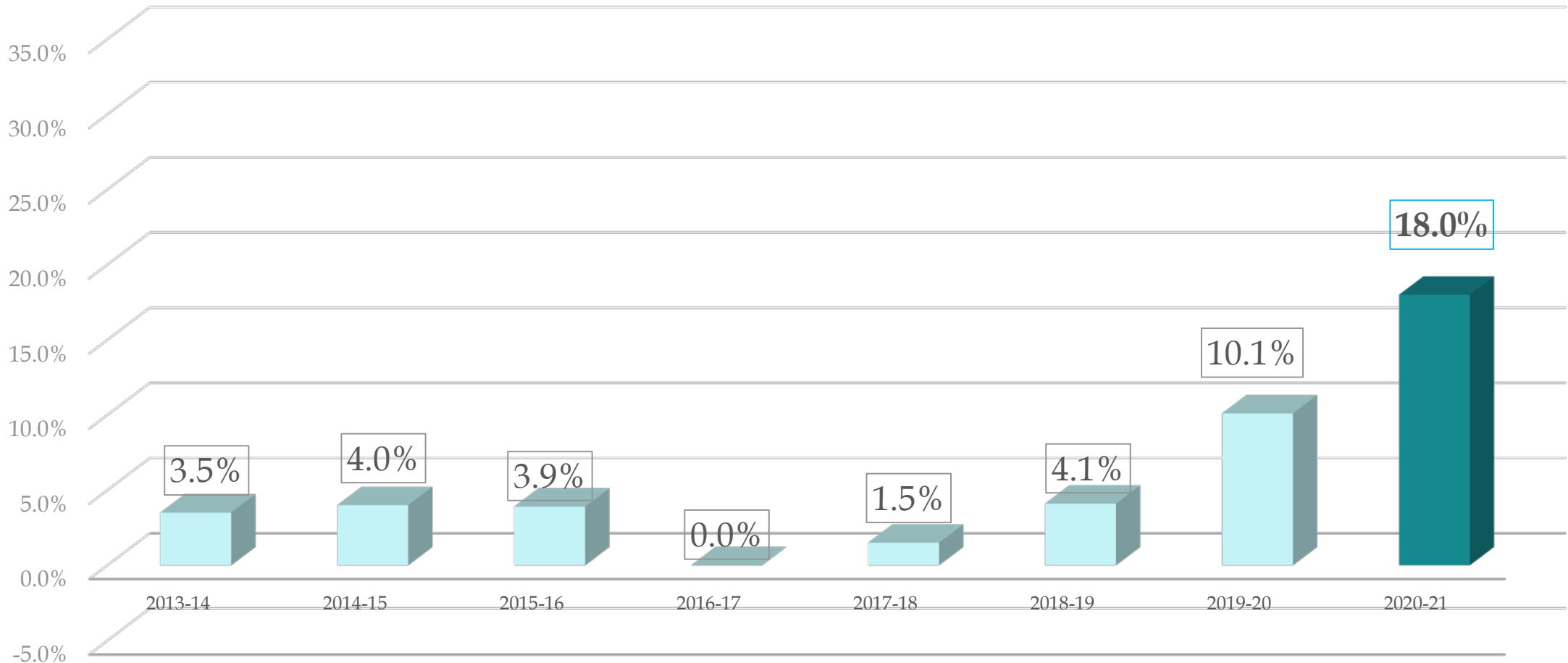
## Rates for 2020-21

Please Note:

- Premium = (Rate) x (Member's Exposures) x (Member's Experience Modification).
- Rate sheets are available electronically.
- Exposures updates are in process.
  - Property values are expected to increase by 2%.
- Member Experience Modifications will be determined in coming weeks.

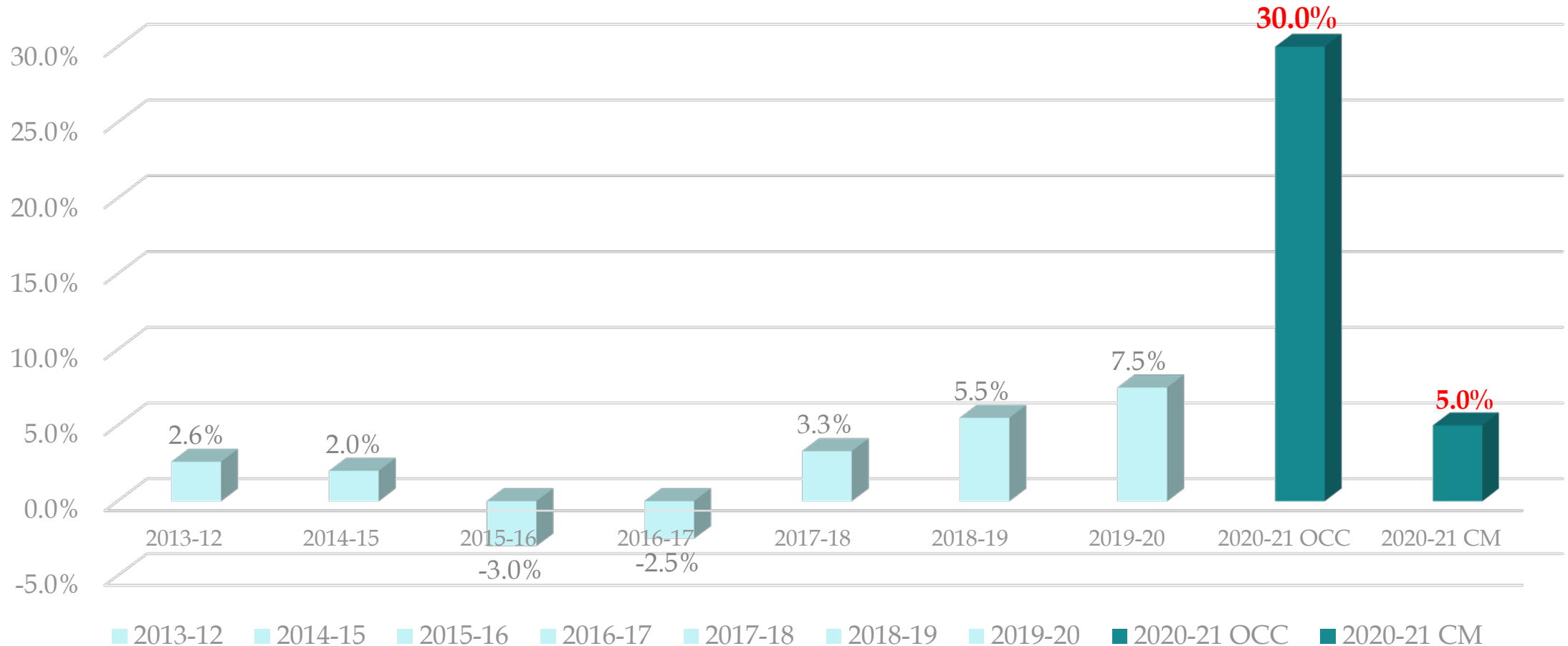
# Property & Liability Program

## History of Average Rate Changes: Property Coverage



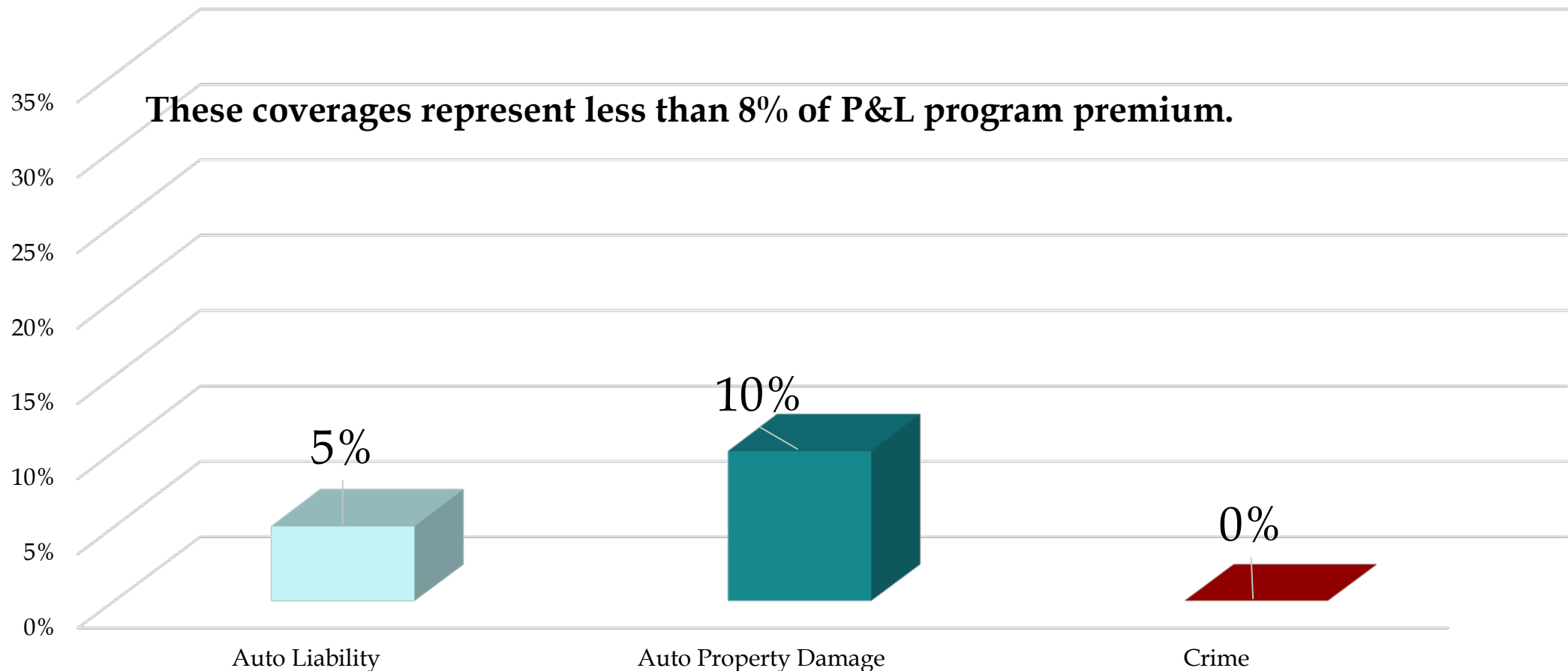
# Property & Liability Program

## History of Average Rate Changes: Liability Coverage



# Property & Liability Program

## Rate Changes: Auto Liability, Auto Property Damage, and Crime,





# Innovators – Risk Management & Loss Control Award

Reshan Cooray

Executive Director, Property & Casualty



# Innovation in Risk Management & Loss Control

**Reshan Cooray**

Executive Director of Property & Casualty

Joined ASCIP in 2009

<https://www.linkedin.com/in/reshan-cooray-8a2a9821/>

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Telephone: (562) 677-2007





Excellence in Risk Management Award

# Congratulations to Pomona Unified School District

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# Risk Management Award

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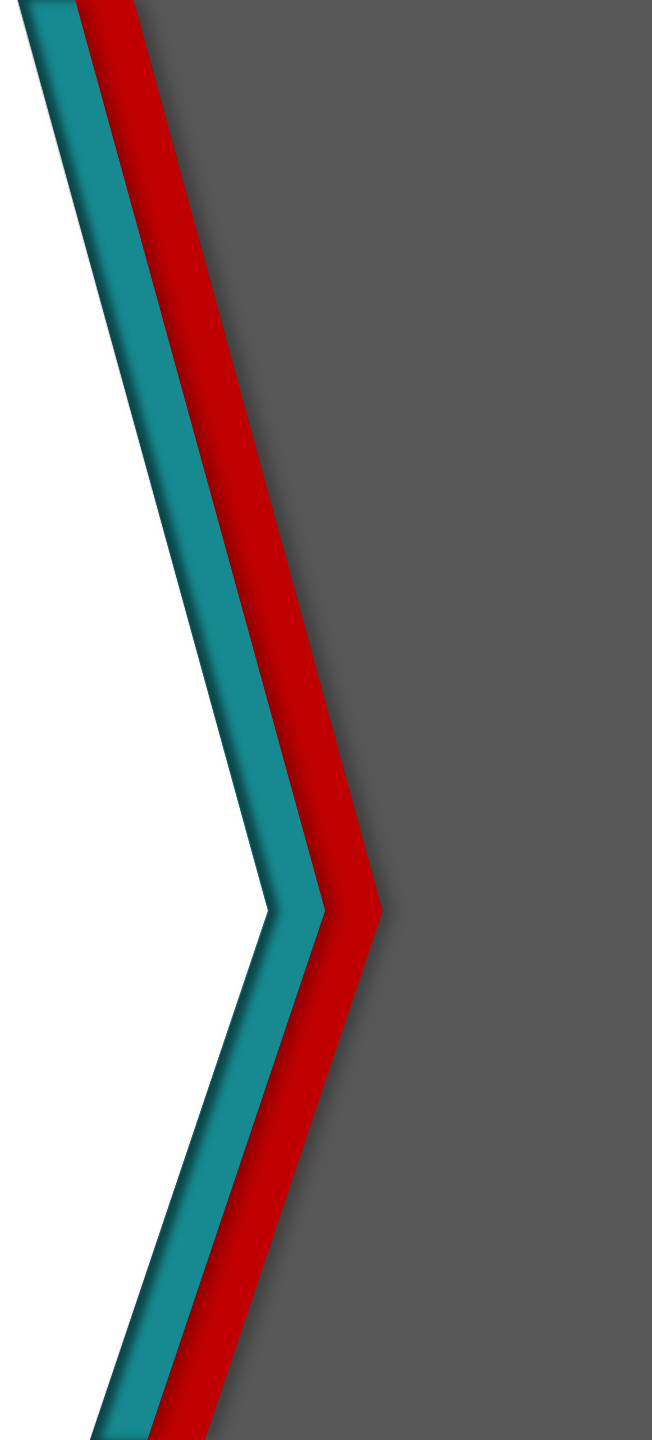
Evaluated members during the 2018-19 Fiscal Year.

Recognizes:

- A consistent approach to risk management.
- Decision-making and efforts that are both “big” and “small”.
- An organization-wide culture committed to safety and collaboration on risk management efforts.
- Identification and implementation of creative solutions to manage and transfer risks.



Excellence in Loss Control Award



# Congratulations to Long Beach Unified School District

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# Loss Control Award

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Evaluated members during the 2018-19 Fiscal Year.

Recognizes:

- Management and staff exhibiting the ability to implement change.
- Comprehensiveness and implementation of policies and practices.
- A commitment to staff training focused on safety and prevention.

# Risk Management Pays Award

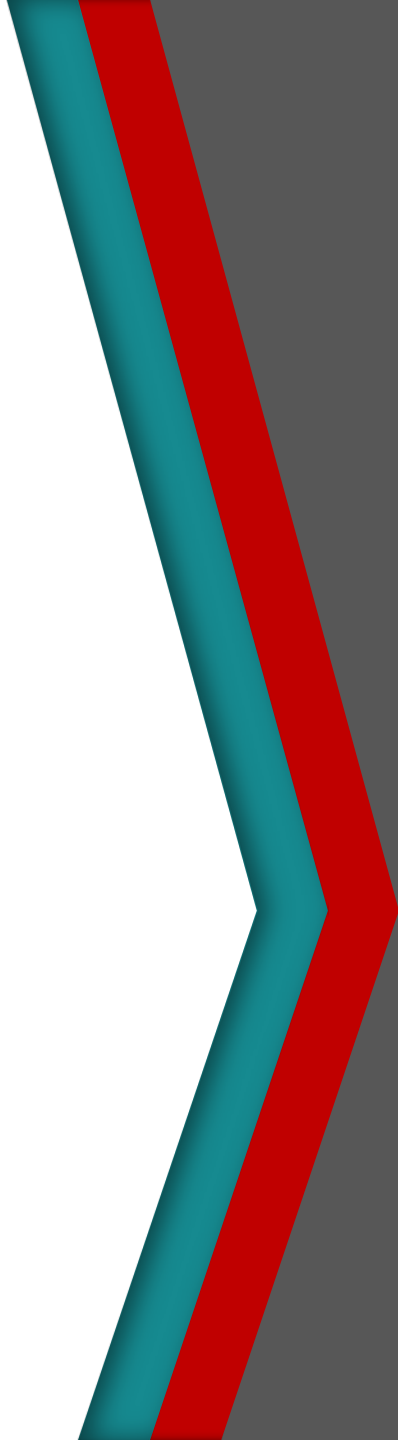
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- Following ASCIP risk services must be implemented prior to July 1, 2020.
  - General consultation or assessments.
  - Active use of ASCIP's online learning management system.
  - Active participation in training seminars and webinars.
  - Participation in ASCIP's driver pull notice program.
  - Utilization of the HR Hotline.
- Point criteria for services.
- Eight members will be eligible to receive an award of \$12,000.



# ASCIP's 2020 Vision

Annual Membership Meeting  
March 6, 2020



The only thing  
worse than being  
blind is having sight  
and no vision –  
*Helen Keller*