

ATTACHMENT “10”

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NEW INSURANCE PROPOSALS

FY 22 BUDGET

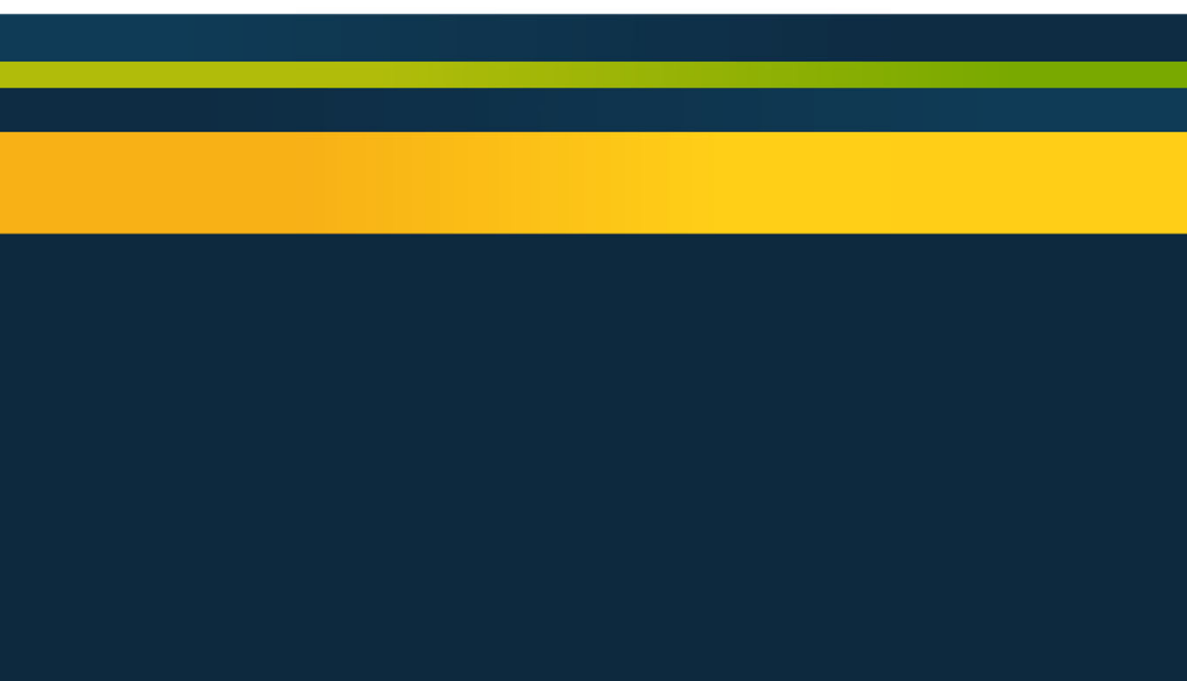
COTW PRESENTATION (05-12-21)

Dean Derleth
LRM Department

"Advocating for the Corona Community"

Alliant Insurance Proposals

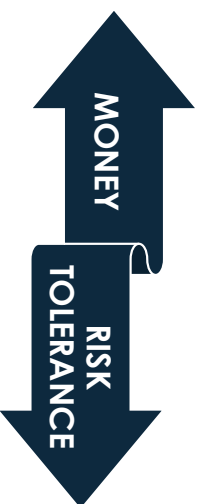
- ❖ **Shake & Pay – Alt Earthquake Coverage**
- ❖ **Individual Member Corridor Deductibles (IMCD)**
- ✓ **Related: \$500K vs. \$1M SIR**



Alliant Insurance Proposals



Today's Theme



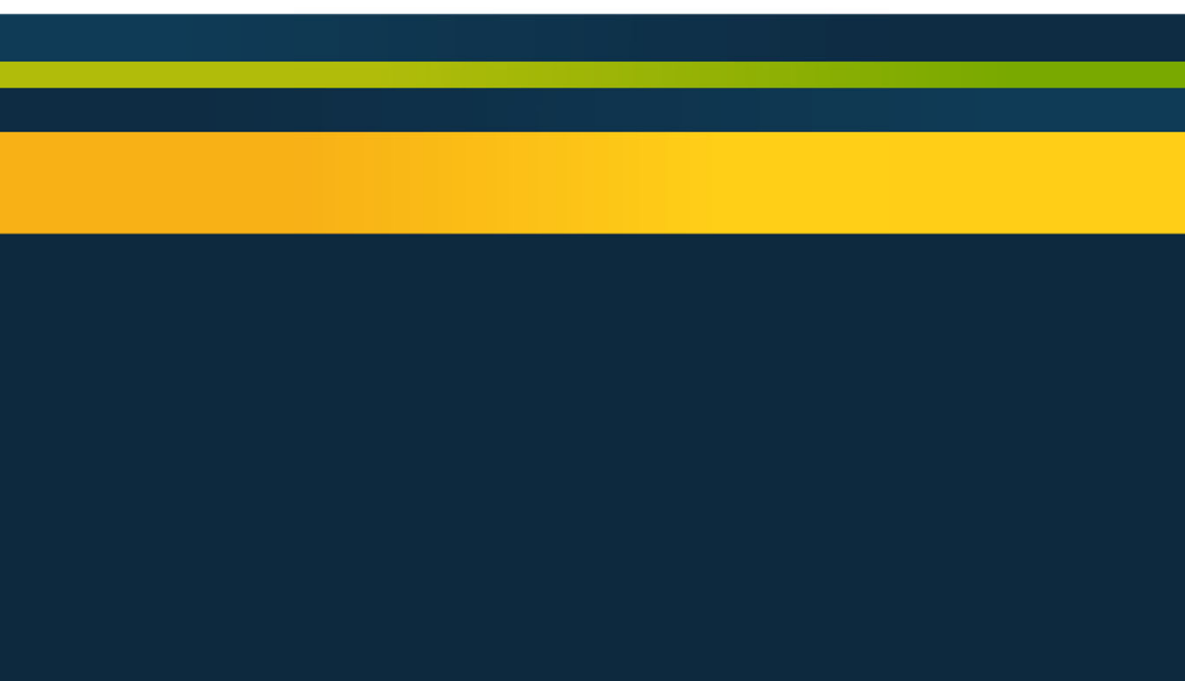
Shake & Pay EQ Insurance

❖ What Is It?

- ✓ Parametric (Index-Based) Insurance
- ✓ "You Shake We Pay"
- ✓ Event = EQ of 6.0M or Greater – Anywhere
- ✓ Index = Peak Ground Acceleration (PGA) – R.C./31 Days
- ✓ PGA = Policy Limit % Payout

✓ Benefits Over Traditional EQ Insurance

- ✓ Cheaper (Last Est. = \$200K Premium for Just 3 Facilities)
- ✓ Highest PGA in Riverside County Over 31 Days After EQ
- ✓ Any Economic Loss (Not Just Property Damage)
- ✓ No Deductible
- ✓ Quick Pay



Shake & Pay EQ Insurance

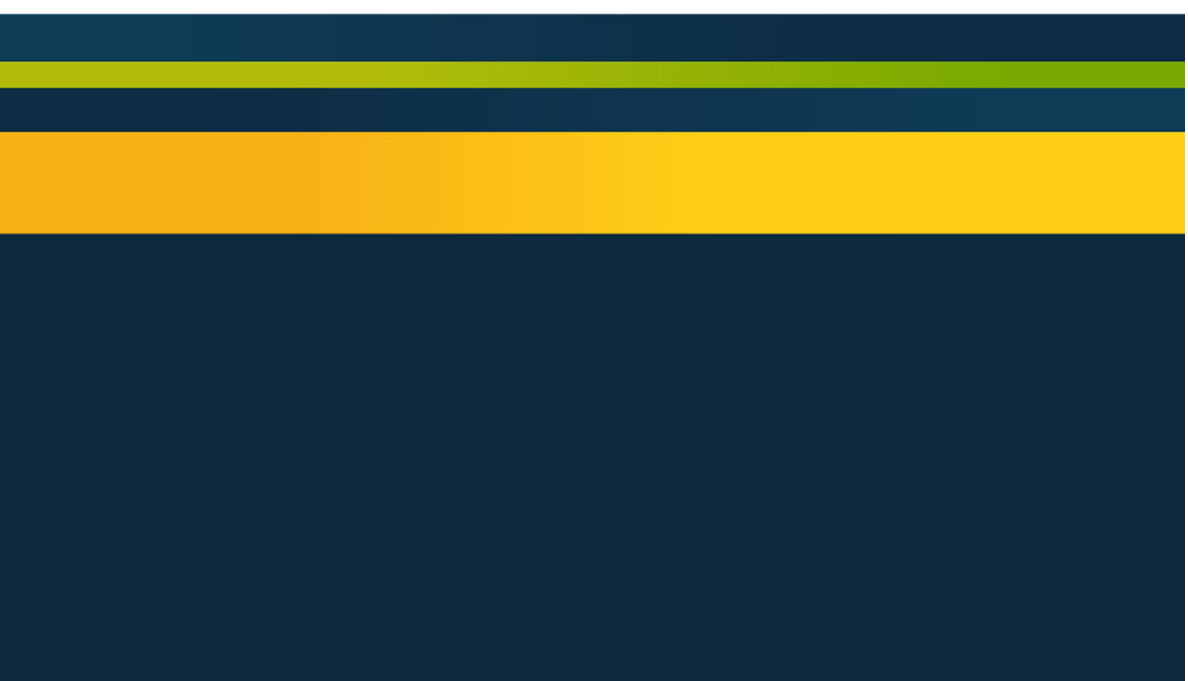
❖ What is PGA?

- ✓ Intensity of ground shaking
- ✓ Measured miles from epicenter
- ✓ Measured locally – anywhere in county

❖ Samples of PGA

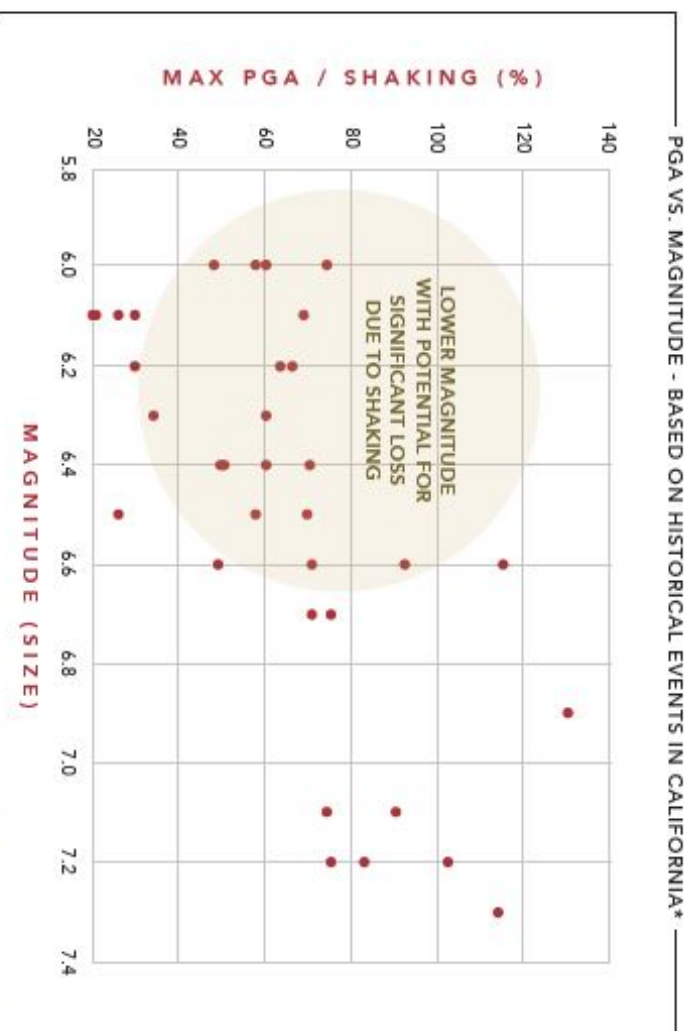
- ✓ '86 P/Springs 6.0m = 74 PGA (81% PO)
- ✓ '92 Lancaster 7.3m = 50 PGA (31% PO)
- ✓ '92 Big Bear 6.3m = 50 PGA (31% PO)

❖ PGA - No Easily Accessible Historical Database



Shake & Pay EQ Insurance

❖ Historical Examples of PGA in California



*PGA and Magnitude data as provided through the USGS ShakeMap MetaData. <https://earthquake.usgs.gov/data/shakemap/>



Shake & Pay EQ Insurance

❖ Corona Proposal

<u>Premium</u>	<u>Policy Limit</u>
\$5,717	\$100K
\$56,858	\$1M
\$284,150	\$5M
<u>PGA</u>	<u>Payout %</u>
35	1%
40	11%
50	31%
60	51%
70	71%
81	100%



Shake & Pay EQ Insurance

❖ Should We Consider?

- ✓ Must Consider

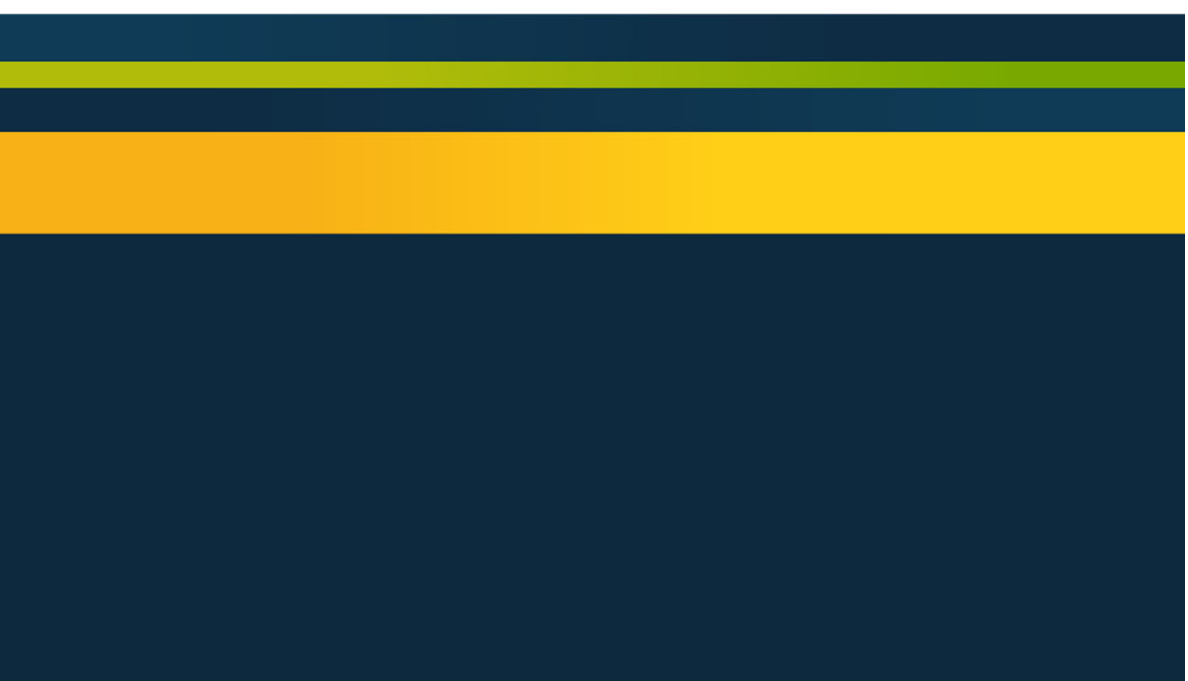
Pros

Relatively Simple

Cons

Value < Cost

≠ Replace Traditional EQ Insurance



IMCD

❖ What Is It?

- ✓ Risk Management Tool
- ✓ Additional Annual/Aggregate Risk Above SIR (Deductible)
- ✓ Premium Discount

✓ How It Works

- ✓ \$250K SIR & \$250K IMCD

SIR = PER CLAIM

IMCD = ANNUAL AGGREGATE

Date of Loss	Total Paid	Member SIR	Member IMCD	GL1 Program
10/1/2021	300,000	250,000	50,000	-
11/1/2021	400,000	250,000	150,000	-
12/1/2021	500,000	250,000	50,000	200,000
1/1/2022	500,000	250,000	-	250,000

IMCD

❖ **Corona Current Coverage (\$25M / \$500K SIR) (FY 21)**

✓ Premium = \$741,744 (FY 20 = \$597,722)

❖ **Corona Current Estimate (FY 22)**

- ✓ Premium Range = \$921,000 - \$977,000 (24% - 31% Increase)
- ✓ Market is VERY Hard (Variety of Reasons)
- ✓ Many Insurers Leaving Public Market

❖ **Corona IMCD Proposal (Using \$977,000 Premium)**

IMCD	Pool Premium %	Total Premium %
\$500K	22.5% (\$120,945)	12.3% (\$120,945)
\$1M	35% (\$187,436)	19.1% (\$187,436)



IMCD

❖ Should We Consider?

✓ Must Consider

Pros

Save \$

Excellent Claim History

Cons

More Exposure

History = Somewhat Meaningless

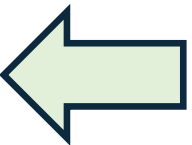
Jury Verdicts Are Growing

May Be Hard to Undo

Less Aggressive Defense?

More Risk Insurer Settles Around Us?

Value < Cost



1988 = LAST CLAIM > \$500K

2 OTHERS = CLOSE

(1 MOSTLY OUTSIDE LEGAL DEFENSE COSTS)

EXCELLENT EMPLOYEES & TRAINING

(KEY CREDIT = CORONA PD)

IMCD ALTERNATIVE

❖ Alternative Consideration = Move to a \$1M SIR

- ✓ Premium = \$719,00
- ✓ Reduction of \$258,000 (26%)

❖ Should We Consider?

- ✓ Must Consider

Pros

Save \$

Excellent Claim History

Cons

2X Exposure

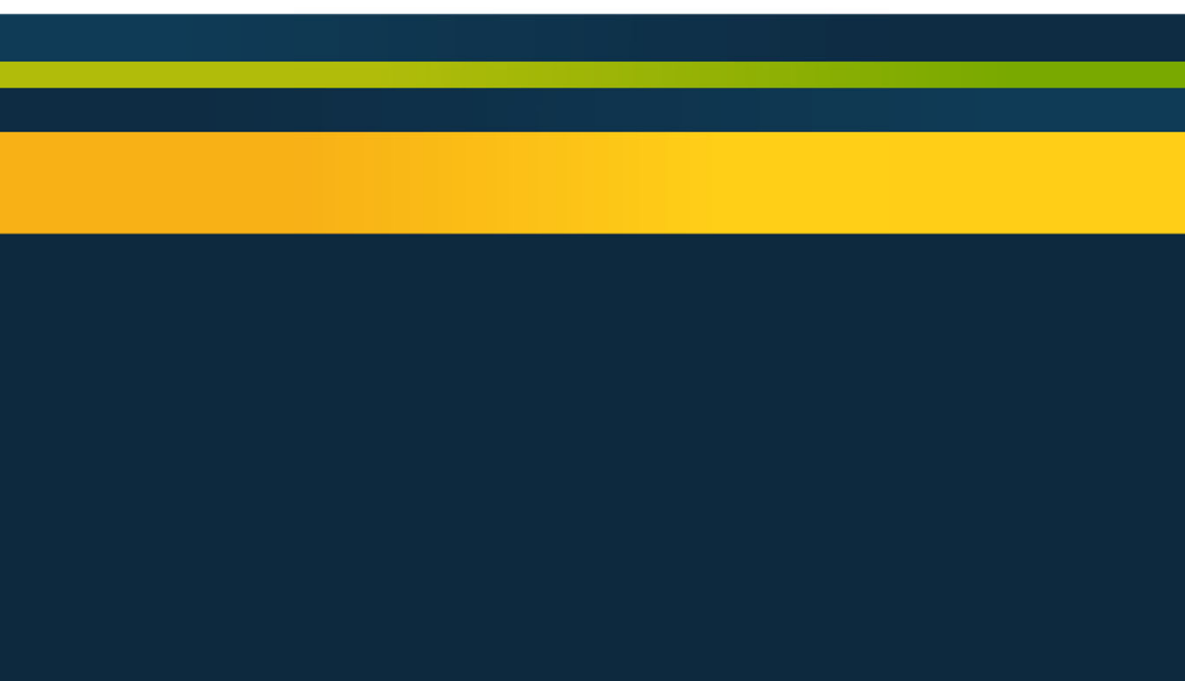
History = Somewhat Meaningless

Jury Verdicts Are Growing

No Returning (\$500K = Rare)

Less Aggressive Defense?

More Risk Insurer Settles Around Us?



OPTIONS & RECOMMENDATIONS

OPTIONS	SAVINGS	COST	RECOMMENDATION	REASON
SHAKE & PAY \$100K	---	\$5,717		VALUE / NEED
SHAKE & PAY \$1M	---	\$56,858		VALUE / NEED
SHAKE & PAY \$5M	---	\$284,150		VALUE / NEED
TRADITIONAL EQ INSURANCE	---	?	FURTHER 	SHOULD STUDY ± 5 YEARS
IMCD \$500K	12.3% \$120,945	---		RISK/REWARD
IMCD \$1M	19.1% \$187,436	---		RISK/REWARD
INCREASE SIR \$1M	26% \$258,000	---	 Lean No	LRM = RISK ADVERSE KEEP \$500K UNTIL ≠ OPTION

ACCEPTABLE
RISK
TOLERANCE?

QUESTIONS?



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<https://www.coronaca.gov/about-us/departments-divisions/legal-risk-management>