



City of Mountain View


Risk and Insurance

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Agenda

- › Schedule of Coverage
- › Quick Background
- › Liability Market
- › Property Market
- › Workers Compensation Market

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Schedule of Coverage

City of Mountain View Premium Estimates							
Line of Coverage	Coverage Provider	2023-24 Rating Basis	2023-24 Cost	2024-25 Estimated Rating Basis	2024-25 Estimated Cost	Bound Exposure Change	Bound % Change
Excess Liability	ACCEL 13 City Risk Sharing JPA	\$97,719,426	\$3,314,862	\$103,659,603	\$3,251,697	6%	-2%
Property, Boiler & Machinery	APIP Governmental Insurance Purchase Group	\$467,237,590	\$698,580	\$516,122,533	\$768,438	10%	10%
Difference in Conditions	Insurance Purchase Layered and Shared Complex Placement	\$176,101,894	\$415,815	\$190,942,180	\$468,746	8%	13%
Excess Workers' Compensation	PRISM Largest JPA in Country Nearly All Cities Participate	\$105,976,268	\$626,404	\$112,833,867	\$840,000	6%	34%
Other Lines of Coverage	Additional Coverages with Lower Premium Volume Crime, Vehicles, Flood, Cyber, Pollution, etc.		\$49,000		\$53,900	N/A	10%
Total (including estimated subtotal)			\$5,104,661		\$5,382,781		5.45%

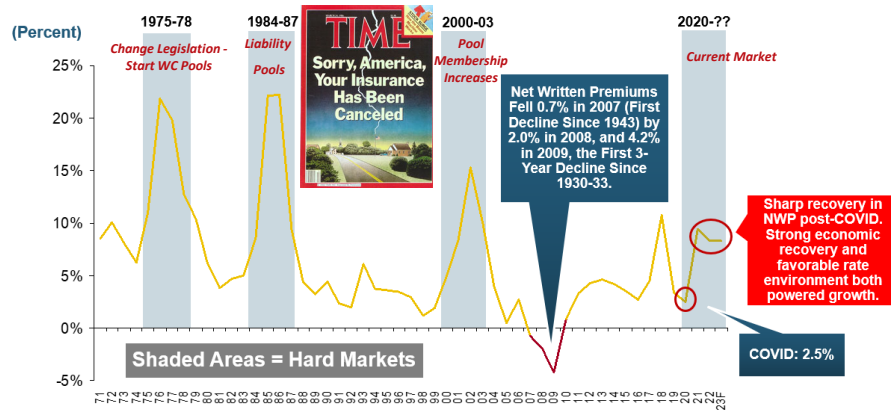
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Insurance Market Cycles

Net Written Premium Growth (All P/C Lines): Annual Change, 1971–2023F



NOTE: Shaded areas denote "hard market" periods.
Sources: A.M. Best (1971-2013, 2023F), ISO (2014-21); Risk & Uncertainty Management Center, Univ. of South Carolina

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State of the Market

- Most all California Cities and Counties are in a Joint Powers Authority (JPA)
 - Better Long-Term than the Insurance Market
- Few remaining independent cities purchase from the insurance market
 - High retentions
 - If losses develop, insurance becomes unavailable or unreasonable
 - Current market pricing is pushing holdout entities to consider JPAs
- JPAs are also increasing cost and focusing on finances
 - Statewide recent significant increase in claim values
 - Claim environment ahead remains challenging
- Claim environment is challenging and driving current market
 - *Legislative efforts*

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Liability Market

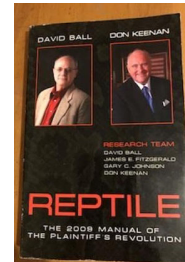
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Liability Market: State of the Market

- California's challenges:
 - No Tort Caps
 - Joint and Several Liability
 - Very high plaintiff attorney's fees related to civil rights cases.
 - Jury pools that award very high values for bad fact cases.
 - "Reptile Theory"
 - "Social Inflation"
- Liability insurance carriers are:
 - Increasing minimum retentions to \$3-5M or higher for cities, moving towards \$10M for JPAs.
 - Reducing their limits to \$10M or less.
 - Increasing pricing.



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City of Mountain View's Liability Placement



- Mountain View joined ACCEL in 1992.
- City's Self-Insured Retention (SIR) has been \$1,000,000 since inception – SIR's will be evaluated for 7/1/2025.
- ACCEL acts as a risk financing vehicle excess of the city's risk management program.
- ACCEL manages a retained layer of risk, the City is on the Board of Directors.
- ACCEL markets and purchases excess insurance, structure depends on market conditions.
- ACCEL currently provides a \$60M limit to all members.

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Liability Market: Take Away

- ACCEL Board has addressed the current claims environment by increasing funding in retained layers.
 - Implemented a new Ex-Mod effective 7/1/24 and will favorably impact Mountain View's deposit premium.
- As insurance premiums increase or become unavailable, ACCEL pivots to expanding its self-insured program.
 - ACCEL evaluates its attachment point to excess coverage annually.
 - ACCEL will be evaluating Member attachment points and may increase SIRs.
- Excess rates continue to climb due to the claims development trends across the state.
- 3 Year Budget Projections – ACCEL is stabilizing, but market still increasing.
- City is well served by ACCEL, ACCEL remains an 'industry best' option

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ACCEL's Direction

Member	Payroll	%
Anaheim	\$275,213,910	17%
Bakersfield	153,714,807	10%
Burbank	126,459,579	8%
Modesto	109,892,802	7%
Monterey	40,853,859	3%
Mountain View	97,719,426	6%
Ontario	128,121,737	8%
Palo Alto	130,284,846	8%
Salinas	69,490,956	4%
Santa Barbara	113,200,114	7%
Santa Cruz	75,488,275	5%
Santa Monica	227,558,485	14%
Visalia	62,041,114	4%
TOTAL:	\$1,610,039,910	

- ACCEL's Board governs the entity and directs staff and consultants
 - Board is comprised of Risk Managers from each agency.
- ACCEL is Member focused
 - Support City, not adversarial
- ACCEL is focused on strong coverage
 - Obtains a high per occurrence limit
 - ACCEL also obtains highest aggregate limits available
- Utilizes Industry Experts: Actuaries, Auditors, Administrators, Brokers, etc.
 - ACCEL market's coverage that is provided to City
- Proactive in underwriting, litigation and funding

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3 Year ACCEL Projected Costs

	Actual FY 22/23	Actual FY 23/24	Projection FY 24/25	Projection FY 25/26
(1) ACCEL Member Deposit: 90% Confidence Layer Funding 4x1 75% Confidence Layer Funding 5x5 Administrative Budget	\$1,555,849	\$2,026,273	\$1,766,099	\$2,266,425
(2) Excess Insurance Cost ¹ :	\$1,053,791	\$1,288,589	\$1,485,598	\$1,667,112
(3) Member's Retro Assessment ² :				
(4) Member's Net Position Surcharge:	N/A	\$28,145		
Total Member Cost:	\$2,609,640	\$3,343,007	\$3,251,697	\$3,933,537

- Premium Estimates are provided annually in October (8 months prior to renewal).
- Estimates are conservative and actual results are not known until 30 days prior to July 1 of each year.

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Property Market

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Current Property Market Conditions

- Very challenging conditions.
- California experienced increasing rates over the past 10 years due to wildfire exposure, winter storms, and overall loss trends leading to increased cost of capacity.
- National trends are unfavorable, the rate of billion-dollar loss events has dramatically increased. These large events significantly impact the direction of the property insurance marketplace.
- California property market:
 - Large loss exposure is 'new' to the market
 - Rebuild costs are very high and increasing
 - Increased frequency of claims

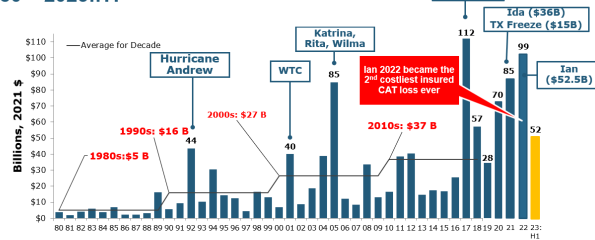
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Property Market – Loss Trends

U.S. Inflation-Adjusted Insured CAT Losses:
1980 – 2023:H1



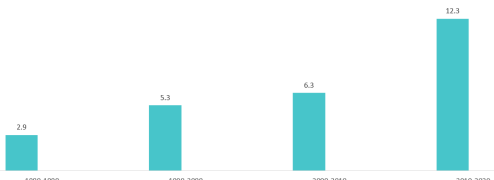
Average # of Events

Average Insured Loss per Year*
1980-2021: \$23.8 Billion
2012-2021: \$44.1 Billion

The 2020s are off to an ominous start with \$85B in average annual insured losses (2020-22)

*Stated in 2021 dollars except 2022 and 2023 (2022/23 dollars)
Sources: Property Claims Service, a Verisk Analytics business (1980-2019), 2020-21 figures from Munich Re, 2023 YTD data from Gallagher Re, Insurance Information Institute, University of South Carolina, Risk & Uncertainty Management Center.

Average # of \$1B+ Events (NOAA source)



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Property Insurance : Insured Values and Premium

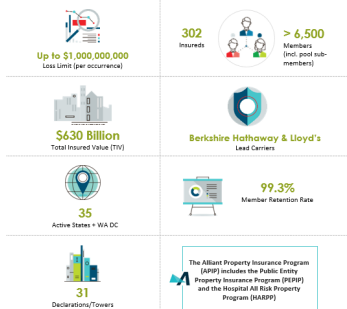
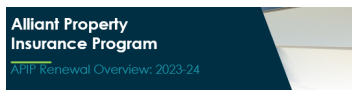
- Premiums are determined by:
 - Total Insured Values * Rate = Premium
- Current economic pressures bring existing values into focus:
 - Increased frequency of losses that involve rebuild cost more than reported value
 - Cost of labor, cost of materials, inflation
 - Amplified in large loss setting (e.g. wildfire, hurricane, flood)
- California cities continue to invest in new locations, increasing insured values.
 - Coastal Exposure
 - Waterfront/Flood Zones
- Values of existing locations are trended annually per Marshall Swift guidelines, which peaked in recent years.

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City's Property Coverage



- The City of Mountain View participates in the Alliant Property Insurance Program (APIP).
 - The primary insurance carrier participating was Lexington/AIG and is now Berkshire Hathaway.
- The Program has many insurance carrier participants.
 - Carrier participation is marketed every year.
- The Program is a joint purchase on behalf of many public entities across California and nationally.
- The coverage and cost provided by this program structure provides significant benefit to participant agencies, especially in a hard market.
 - Single largest property placement worldwide.

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City's Property Coverage

Year-over-Year Rate and Premium Comparison

City of Mountain View	2022-2023 (at 03/08/2023)	2023-2024	Variance
Total Insurable Values (TIV):	\$ 394,932,889	\$ 467,237,590	18.31%
Earthquake TIV:	Not Applicable	Not Applicable	N/A
Earthquake Limit:	Not Covered	Not Covered	N/A
*Property Annual Cost:	\$ 452,092.14	\$ 676,792.02	49.70%
Cyber Liability Annual Cost:	\$ 18,016.09	\$ 17,643.78	-2.07%
Pollution Liability Annual Cost:	\$ 3,008.71	\$ 4,143.71	37.72%
Total Account Rate (\$/100):	0.1197968	0.1495127	24.81%
**Total Annual Cost:	\$ 473,116.94	\$ 698,579.51	47.65%

\$500,000,000 All Risk Limit, \$50,000 All Risk Deductible
 \$20,000,000 Flood Limit All Zones Except A&V, Deductible \$100,000
 \$10,000,000 Flood Limit for Zones A&V, Deductible \$250,000

Policy contains many additional details on coverage.

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Workers Compensation Market

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Workers Compensation Market



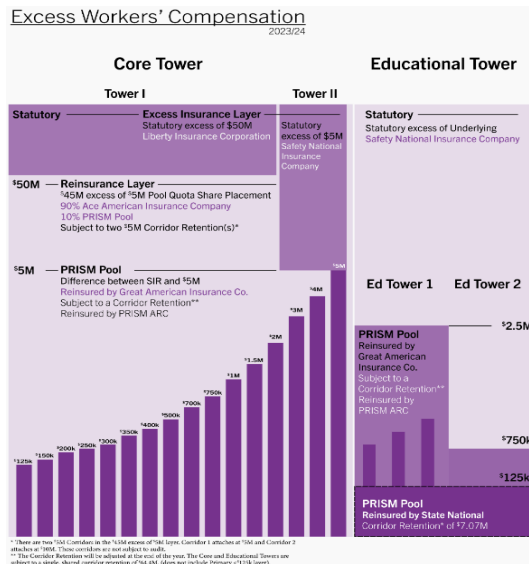
- The City of Mountain View participates in PRISM for Excess Workers Compensation Coverage.
- PRISM is one of the largest JPA in the county, providing excess workers compensation to most public entities in the state. Over 78% of cities purchase WC through this program.
- Workers Compensation coverage has been relatively stable for several years, with moderate rate increases occurring.
- Substantial area of cost, but mostly within retention. Excess workers compensation coverage is relatively low cost and provides statutory limits.

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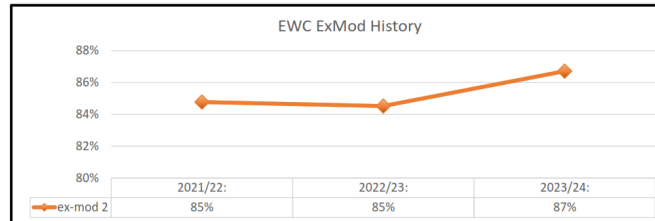
Workers Compensation Coverage Structure



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Excess Workers Compensation



EWC Payroll History

2022/23 Estimated Payroll: \$96,844,427
 2021/22 Estimated Payroll: \$92,299,755

EWC Premium History

2022/23 Deposit Premium: \$520,840
 2021/22 Deposit Premium: \$469,974

2023 – 2024 Coverage Term

Statutory Limit for Workers' Compensation

\$5,000,000	Employers' Liability Limit
\$750,000	Self Insured Retention
\$105,976,268	Reported Payroll
\$626,404	Deposit Premium

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Closing Thoughts

California Cities face insurance market challenges. The JPA was created to assist in these markets and the City is utilizing them.

City of Mountain View is largely a self-insured entity, with high retentions for Liability and Workers Compensation. This allows Mountain View to reduce overhead expenses, while claim performance is critical to the City's self-insured budgets.

Liability and Property insurance markets are at historically high premium levels.

Insurance remains available and the city is well protected through the current placements. Each coverage program is purchasing high limit plans to protect city assets. Each program focuses on broad form coverage, while industry terms are shifting.

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Next Steps

1. Onboarding New Risk Manager – ACCEL Orientation, PRISM Engagement and Review of City Policies
2. Review Property Values
3. Review Adequacy of Coverages – Focus on **Earthquake**, Flood, Crime & Cyber
4. Review Attachment Points - “Deductibles”
5. Insurance Requirements in Contracts – Protecting the City through Risk Transfer
6. Increase Subrogation Efforts (e.g., pursue at fault parties for property damage)
7. City Engagement:
 1. Safety Committee
 2. IIPP Updates
 3. Narcan Policies, etc.

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