Item #9
6/25/2020

RISK MANAGEMENT
400 West Fourth Street
Davenport, Iowa 52801-1104
Telephone: (563) 326-8293
Fax: (563) 326-8763

June 16, 2020

To: Mahesh Sharma
County Administrator

From: Rhonda S. Oostenryk
Risk Manager

Subject: Annual Insurance Renewals

Attached is an insurance summary, prepared by the County's insurance broker, Arthur J. Gallagher, pertaining to renewal premiums for the period July 1, 2020 through June 30, 2021. The county's overall insurance program renews July 1 each year and currently uses Chubb Insurance for property coverage and Travelers Insurance for most liability coverages. Worker's compensation coverage is through Midwest Employers Casualty Company.

The Chubb property renewal premium is up approximately 15% compared to the expiring policy, and includes a 3.5% increase in building, contents, equipment and vehicle limits. The County has a $100,000 deductible for property.

The Travelers liability premium is up 8.6% with nearly 6% of that due to an increase in budget expenditures, which a lot of the premium is based on. Scott County has a $300,000 self-insured retention for liability claims.

Worker's compensation coverage is up 16% compared to expiring, which was the second of a 2-year policy. Payroll, however, is up nearly 10% from two years ago as well, accounting for much of the premium increase. Also this year, MWECC is offering the county a 2-year policy, with the second year premium at $72,843. A 2-year policy is rare in worker's compensation, and is again made possible by the county's superior claims experience and internal claims handling. Scott County continues to rank in the top 8% of all public entities with Midwest Employers in terms of claims frequency and claims handling. Scott County has a $500,000 self-insured retention for worker's compensation coverage.

Total premium for main coverage lines is $439,188, up 11.4% compared to last year. Scott County continues to receive preferential pricing and coverage terms due to its overall safety efforts and limited claims activity.

Finally, the most drastic increase is in the medical professional coverage for the county's health clinic. The premium has jumped from $48,313 to $75,750. The insurance market for medical malpractice insurance has severely tightened this year and will likely continue to tighten in the coming years due to large lawsuits across the country, particularly in relation to medical treatment of jail inmates. Five markets we approached declined to provide a quote at all. Coverys was the only market that quoted coverage in the amount of $75,750; the incumbent carrier (Lloyd's - Beazley) renewal premium was more than $94,000.

I will attend the next Committee of the Whole meeting with representation from AJG to discuss the renewal proposal and to answer any questions you or the Board may have.

Gallagher

Insurance | Risk Management | Consulting

2020-21

Scott County Insurance Summary

Jeff Young, CIC
Arthur J. Gallagher
220 Emerson Place, Suite 302
Davenport, IA

7/1/2020

2020 Gallagher Public Sector & K-12 Education Practice

Quotable Facts & Figures

Our Client Base

We work with more than 13,500 public sector and K-12 education clients, including:

- 1,000's of individual cities, counties, parishes, schools and special districts
- 19 state government clients and 80 tribal government clients
- 110 public sector and K12 education pools (covering an estimated 10,000 individual entities)
- More than 300 special districts
- More than 4,500 schools
- 40% of the largest public schools

Our Competitive Advantage

- Through CORE**360**™ and our consultative approach, we help our clients manage the cost of risk, not just the cost of insurance.
- We're the only U.S. broker with more than 400 sales people and risk management experts focused on public sector business. We have an excellent reputation in the public sector arena and we are dedicated to providing excellent service in a highly ethical manner.
- We're invested in our clients' associations and we have been for more than 40 years.
- We have access to worldwide insurance markets that specialize in public sector business.
- We bring experts to the table to help negotiate complex issues like cyber liability, crisis response and resilience, enterprise risk management, employment practices, D&O coverage, complex property placements – or whatever the need might be.

Key Market Partners

GPS has access to all public sector markets with a total premium volume that exceeds $1 billion. These numbers represent premium volume for all public sector property and casualty business as of the end of 2019, all lines.

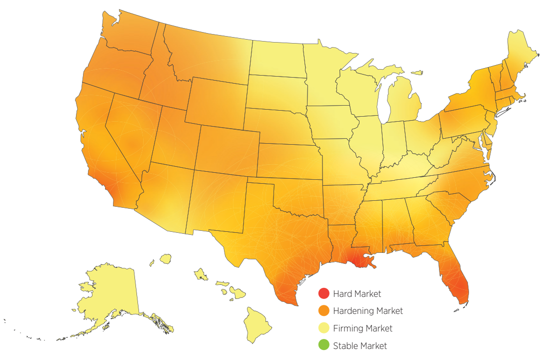
INSURANCE MARKET	PREMIUM VOLUME
Travelers Group	$70,032,645
Tokio Marine Holdings, Inc.	$49,193,750
Fairfax Financial Holdings Limited	$40,652,700
American International Group, Inc.	$36,887,898
Chubb Limited	$34,107,026
W R Berkley Group	$24,722,522
Berkshire Hathaway Insurance Group	$21,953,268
American International Group, Inc.	$20,479,786
FM Global Group	$16,898,772
The Hartford Insurance Group	$16,804,986
Starr Companies	$13,653,841
United Educators Group (RRG)	$13,477,938

Gallagher

The Gallagher Way. Since 1927.

The disruption caused by COVID-19 has had a pronounced effect on our businesses and our lives. Across the insurance industry, communication channels have stayed open, submissions are being underwritten, and our client's insurance renewals are being bound.

The table and heat map below show overall pricing, and most lines of coverage are firming or hardening in the current marketplace.



LINE OF COVERAGE	CURRENT MARKETPLACE (Range of rate increases)
CAT Property*	Greater than +10%
General Property	Greater than +5%
General Liability	+5% to +10%
Umbrella	Greater than +10%
Management Liability (Private)	Flat to +10%
Management Liability (Public)	Greater than +20%
Auto	+5% to +15%
Workers' Compensation	-5% to +5%

*CAT property is defined as a location portfolio with exposure to catastrophic loss (i.e., California EQ, flood, Florida/Texas/Gulf Coast—wind/hail, the Carolinas, etc.).

However, this is not the case for many of our clients who may have had to temporarily close their doors or scale back operations. Recognizing the difficult times these clients are facing, many of our carriers have offered relief through extended payment terms, and are allowing midterm exposure changes and premium reductions.

The legislative front is very active as state insurance regulators are issuing various orders to support policy holders in their respective states. These orders have ranged from requiring carriers to extend payment terms to issuing return premiums on certain lines of coverage. While we continue to monitor these updates on behalf of our clients, the position some of our carriers will take on these orders remains uncertain.

Leading up to Q2 2020, what had been driving the marketplace was fairly simple — for years, the industry's rates hadn't kept up with the loss cost trends. Put another way, rates stayed flat, but costs went up. In a normal operating environment (where interest rates are above 0%), insurance carriers can still make money on the investment income portion. When you combine interest rates holding at 0% for an extended period of time with severe weather and concerning liability trends (more on both of those later), you get the majority of businesses experiencing sizable increases in 2019 for the first time in years.

While much of the recent focus has been on the industry's response to COVID-19, the challenging market conditions that were reported in our Market Update last quarter haven't slowed down. Carriers remain intensely focused on underwriting discipline, ensuring they secure the right terms and pricing on certain lines of coverage that have historically not performed from an underwriting standpoint. As a result, we continue to see extreme differences in how the market is responding between classes and sizes of business.

Taking this into account, we will focus on these key general trends.

1. **Property:** Overall costs accelerated faster than anticipated in Q1 2020.
2. **Workers' compensation:** Pricing remains competitive but is increasing for the first time in years.
3. **Casualty:** Continued negative impact by mega verdicts.
4. **D&O:** Public company D&O is the most distressed line of coverage in the marketplace.
5. **Cyber:** Exposures have shifted with the changing nature of the remote workforce.
6. **Hardening market:** Still exists in pockets.

Gallagher

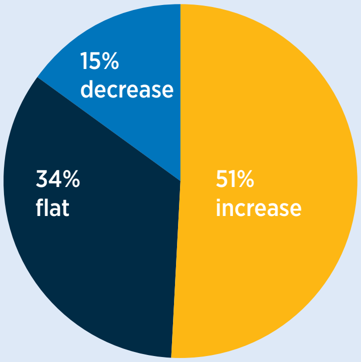
Insurance | Risk Management | Consulting

Scott County 2020-21

Insurance summary

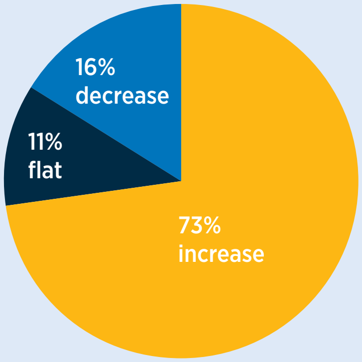
Coverage	Expiring	Renewal
Liability	$121,028	$131,530
Property	108,314	127,593
Automobile	32,048	32,677
Automobile-EMA	3,548	3,612
Umbrella	58,393	59,805
Cyber/Internet liability	9,226	12,564
Worker's Comp	61,488	71,407
Sub-Total	**$394,045**	**$439,188**
Med. Professional	48,313	75,750
Total	**$442,358**	**$514,938**

Q1 Primary General Liability Rate Changes
Gallagher — U.S. Clients



51%
of clients saw a rate increase in Q1.

Q1 Auto Liability Rate Changes
Gallagher — U.S. Clients



73%
of clients saw a rate increase in Q1.

Primary General Liability

General liability costs continued to rise in Q1, as the overall legal landscape shifted in the U.S.

- The frequency of large judgments, increases in litigation financing and an empowered plaintiff bar continue to challenge our industry.
- The median average verdict for the top 50 cases in the U.S. has doubled in the last four years.*
- Clients with tougher product exposure, or those operating in healthcare or other sectors where they are susceptible to higher frequency of lawsuits, can expect larger rate increases.
- An item the industry will certainly watch is whether there is a liability exposure arising from failure to adequately follow and communicate public health guidelines such as their responsibility to provide personal protective equipment (PPE).
- Insurance carriers are beginning to introduce or enhance their communicable disease exclusions in response to COVID-19.

Even though loss costs have been rising, plenty of capacity remains. We expect a firming rate environment to continue, with rate increases in the mid to high single-digit range for desirable risks.

Auto Liability

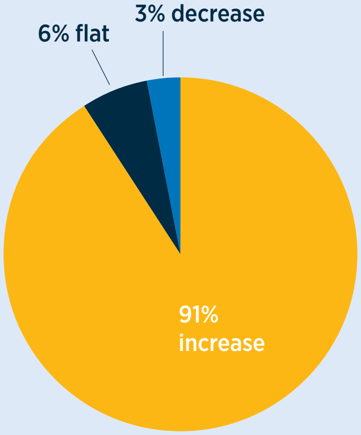
Despite several years of price increases in auto liability, rates continued to increase in Q1 as the price increases continued to not keep pace with the increases in claim frequency and severity.

- Loss costs are rising as new technologies make vehicles more expensive to repair. We expect carriers to continue to push rate increases across the board in auto liability.
- Maybe more so than any other line of coverage, auto insurance has been directly impacted by COVID-19 with some estimates that vehicle usage is down 50% since mid-March.

Almost every major auto carrier for personal lines of insurance has outlined plans for premium rebates to customers, largely in the 15% to 20% range for two months. How will the commercial insurance sector respond to this change in exposure? We are expecting to see auto rates level off with the reduction in exposure (miles driven) related to COVID-19.

* Source: Shaub, Ahmuty, Citrin & Spratt.

Q1 Umbrella/Excess Liability Rate Changes
Gallagher — U.S. Clients



91%

of clients saw a rate increase in Q1.

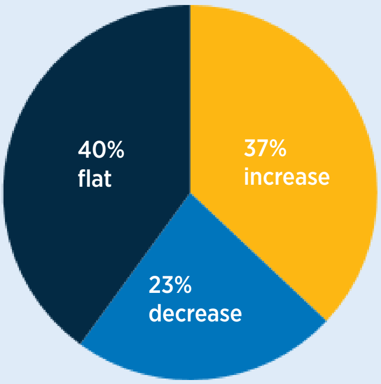
Umbrella/Excess Liability

Umbrella and excess liability placements have been greatly impacted by social inflation (generally defined as an increase in insurance costs due to rising litigation, larger jury verdicts and overarching anti-corporate sentiment in the economy). Q1 rates continued to climb to their highest levels in recent years.

- Social inflation goes to the sensibility of juries and how that translates into the expected value of claim outcomes.
- Carriers are concerned with a litigation environment so favorable to plaintiffs and climbing jury verdicts. Examples of some of the headline claims that are driving the umbrella/excess marketplace:
  - » **Active shooter:** hospitality, $800 million settlement, late 2017
  - » **Class-action lawsuit:** product liability, $2 billion to $10 billion settlement, late 2018
  - » **Product liability/completed operations:** $143 million settlement, late 2019
  - » **Active shooter:** retail, $70 million settlement, mid-2019
  - » **Class-action lawsuit:** product liability, $4.69 billion verdict, mid-2019
  - » **Sexual assault victim awarded:** real estate, $1 billion, mid-2018
- Carriers are pushing significant rate increases — more than 15% on most renewals — with sharper increases on clients with heavy auto fleet exposure or operating in higher hazard industries.
- Carriers are also restricting the amount of limit they are willing to put forth or repositioning their capacity at a higher level. For example, carriers that have historically offered lead $25 million umbrella policies are now limiting their lead positions to $10 million or less in most cases.
- Capacity management has been a recurring message from the market. Carriers want to limit their exposure to these higher umbrella/excess layers. We have had multiple instances of clients not being able to buy the limit they purchased last year because of lack of availability.
- Umbrella and excess lines carriers are beginning to introduce or enhance their communicable disease exclusions in response to COVID-19.

Underwriters need to return to making money underwriting. Accordingly, we do not expect much change in the casualty environment for the rest of 2020. General liability and auto costs will continue to climb modestly, umbrella/excess pricing will rise, higher umbrella/excess layers will be limited, and the industry will keep a careful watch over the impact of COVID-19 on the workers' compensation marketplace.

Q1 Cyber Rate Changes
Gallagher — U.S. Clients



77%
of clients saw a rate increase or remained flat in Q1.

Cyber

The Market Hardens

As predicted in the beginning of the year, the cyber insurance market hit an inflection point in the first quarter of 2020. All signs indicate that we have moved from a long period of flat to falling cyber insurance premiums to a marketplace where underwriters are regularly seeking rate increases in an approximate range of 5% to 20%. This trend cuts across most industry sectors and only some of the smallest of subject matter experts have been spared, most of which are seeing flat renewals.

The hardening cyber market has been driven mostly by an increase in frequency and severity of ransomware claims that manifested in 2019 and continue into 2020. The 2020 Beazley Breach Briefing* reported a 131% increase in ransomware attacks compared to the previous year. Additionally, reports of seven- and eight-figure ransom demands are becoming more common.

Heightened Cyber Risk: COVID-19 and the Remote Workforce

With the sudden onset of COVID-19 in March, the majority of the global workforce was moved to remote locations in an effort to stop the spread. In doing so, it became apparent for many organizations that their staff may be operating in an environment that is inherently less secure than their normal office space. Questions were raised regarding insecure Wi-Fi networks, the usage of personal devices, videoconferencing platforms potentially being open to cyber attacks and whether or not the increased strain on IT networks could lead to business interruption losses.

While we have not seen an abnormal rise in frequency in cyber claims directly attributed to employees working outside their normal environments as of this writing, there is evidence of several COVID-19-themed criminal phishing campaigns that are being aimed directly at the remote workforce.

Take Steps to Assess Your Cyber Risk

- Review cyber policies to evaluate the scope of coverage, and how it may cover cyber losses related to the use of employee-owned devices and remote networks. Specific focus should be concentrated on how a policy might define “computer networks,” “computer systems” and other key terms.
- Be aware that cyber claims costs for business interruption losses are almost always impacted by waiting periods before coverage will apply and limited to a specific period of restoration.
- Review policies carefully to see whether any portion of the loss may be covered. For example, if faced with a social engineering loss, it is possible that lost funds may not be covered in the cyber policy, and that other policies, such as crime policies, may apply.

Gallagher

Insurance | Risk Management | Consulting

LIABILITY

Travelers

$1,000,000 per occurrence, $300,000 self-insured retention

Premises/Operations/Products Liability

Auto Liability

Law Enforcement Liability

Management Liability/Employment Practices Liability

Social Services Professional Liability (Community Services)

Scott County Health Department Clinic (GL)

Umbrella Excess Liability

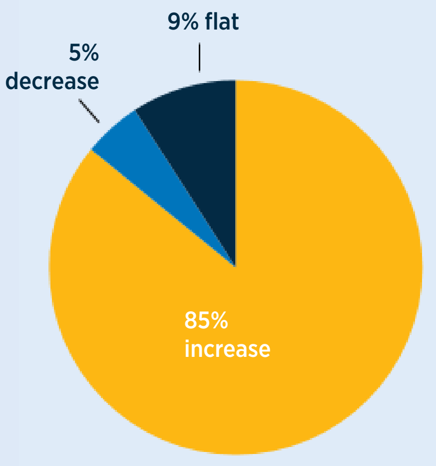
$9,000,000 limit, $5 million sublimit for EPL and PEML

Option

$15 Million umbrella + $50,537 on current umbrella premium

NO exclusion for County handling claims (bad faith/extra contractual)

Q1 Property Rate Changes
Gallagher — U.S. Clients



85%

of clients saw a rate increase in Q1.

Historically, the second and third quarters are the largest from a CAT storm perspective. Catastrophic storm activity for the remainder of this year is still an unknown.

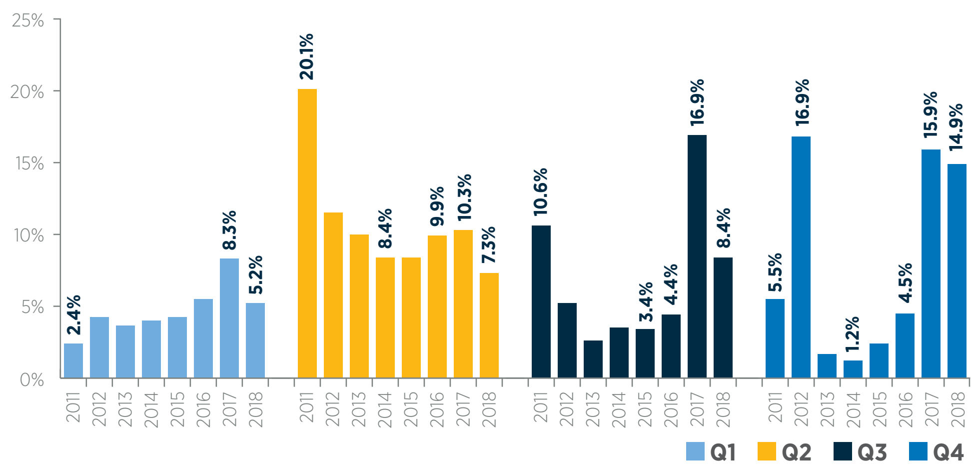
Property

Overall property costs accelerated faster than anticipated in the first quarter of 2020. Like many other lines of insurance, the property marketplace needed to increase rates to offset the increase in loss costs. In addition to rising rates, carriers have scaled back on discretionary limit deployment, and issued tougher terms and conditions.

- 85% of Gallagher clients saw a rate increase in Q1 2020, the highest number recorded since the early 2000s.
- Large national property clients (with TIV> $150 million) saw average rate increases at 20.2%.
- Increasing deductibles, shrinking sublimits (especially CAT), and carriers' conservative limit deployment have led to less favorable terms and conditions for clients.
- The only monoline property carrier in the marketplace has been under duress, which has created challenges for the large national account space.
- Some industries — including habitational, public sector, healthcare, plastics, molten metals and clients with CAT exposure (including hail) — are seeing above-average rate increases and a generally harder market than the rest of the marketplace.
- The rise in attritional (non-catastrophic) storm losses continues to impact the industry. Total economic losses were estimated in excess of $1.1 billion from the March 2020 storm system that produced several tornadoes and large hail in Tennessee, Missouri, Kentucky, Mississippi, Georgia and Texas, according to the National Oceanic and Atmospheric Administration (NOAA). The majority of these losses were covered by insurance.
- With the uncertainty regarding COVID-19 and carriers' potential exposure to business income losses, all eyes will be on the upcoming CAT season.

CATASTROPHE CLAIMS BY SEASON

Catastrophe claims as % of total claims



Losses are net of reinsurance but include loss adjustment expenses. Sources: ISO PCS; Insurance Information Institute calculations: https://www.iii.org/presentation/industry-update-yesterday-today-and-tomorrow-101519

Based on the above, as well as the uncertainty around the COVID-19 pandemic, we expect the current conditions in the property marketplace to continue, if not accelerate, through the end of 2020.

PROPERTY

Chubb

$100,000 deductible for property, vehicles and equipment

Building/contents limit up from $118,101,845 to $119,830,685

$5,000,000 limit on mobile equipment ($6,368,742 values)

$2,500,000 limit on vehicles **while parked** ($7,602,856 values)

Earthquake $50,000,000 limit

$100,000 deductible

Added this renewal:

$1 million E&O coverage for property not reported

$250,000 back-up/inundation coverage at courthouse and admin building

Total property, vehicle, equipment values

Expiring	$133,326,850
Renewal	$133,802,292

.

WORKER'S COMPENSATION

Midwest Employers

Unlimited WC benefits

County approved as claims administrator

$500,000 self-insured retention each occurrence

10% increase in payroll since 2-year policy was issued in 2018

2-year policy terms again offered, based on county's excellent claims experience and claims handling:

2020-21	$71,407
2021-22	$72,843

Gallagher

Insurance | Risk Management | Consulting

MEDICAL PROFESSIONAL

Coverys (new carrier)

$1,000,000 liability limit
$3,000,000 aggregate
$25,000 deductible

Board of Health

Nurses

Jail nurses

Doctors covered for administrative duties only

Covers Sec 1983 civil rights discrimination claims

Premium	$75,750 (minimum premium)
Incumbent Beazley renewal quote	$94,713
Beazley quote w/ $50k deductible	$85,242

** Market is tightening

Declinations:

- Markel
- James River
- Lexington
- Admiral
- RSUI

THE COUNTY AUDITOR'S SIGNATURE CERTIFIES THAT THIS RESOLUTION HAS BEEN FORMALLY APPROVED BY THE BOARD OF SUPERVISORS ON _______________.
DATE

____
SCOTT COUNTY AUDITOR

R E S O L U T I O N

SCOTT COUNTY BOARD OF SUPERVISORS

JUNE 25, 2020

APPROVING THE FY21 INSURANCE RENEWALS WITH TRAVELERS, CHUBB, COVERYS AND MIDWEST EMPLOYERS CASUALTY COMPANY IN THE AMOUNT OF $514,938.

BE IT RESOLVED BY the Scott County Board of Supervisors as follows:

Section 1. That the renewal of liability insurance with Travelers in the amount of $240,188 for fiscal year 2021 is hereby approved.

Section 2. That the renewal of property insurance with Chubb in the amount of $127,593 for fiscal year 2021 is hereby approved.

Section 3. That the renewal of medical-professional insurance with Coverys in the amount of $75,750 for fiscal year 2021 is hereby approved.

Section 4. That the renewal of workers compensation insurance with Midwest Employers in the amount of $71,407 for fiscal year 2021 and $72,843 fiscal year 2022 is hereby approved.

Section 5. This resolution shall take effect immediately.