



Orientation to:

# SMALL CITIES ORGANIZED RISK EFFORT (SCORE)

Presented to:  
SCORE Board of Directors



Presented By:

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# Presentation Outline



## Section I

**Intro to Pooling &  
SCORE Program**

## Section II

**SCORE Overview Governance,  
Coverage Programs, Program Services**

## Section III

**State of the Market – *Liability Focus***

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Why are we here?

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# Mission Statement

The Small Cities Organized Risk Effort or SCORE, is an association of municipalities joined to protect member resources by **stabilizing risk costs** in a reliable, economical and beneficial manner while providing members with **broad coverage** and **quality services** in risk management and claims management

The Alliant logo is located in the bottom right corner of the slide. It consists of a white stylized arrowhead pointing to the right, followed by the word "Alliant" in a bold, white, sans-serif font. The logo is set against a dark blue background that is part of a larger blue trapezoidal shape.

# Why was SCORE formed?

- To be free of Insurance Industry Cycles
  - Reduce costs overall
  - Stop riding the rollercoaster
- Help each other with risk management issues
- *Provide broader coverage and services for less than members could obtain on their own.*

# Membership

- The small size of member Cities limits their ability to have a risk manager on their staff.
- Generally, the City Manager or Finance Officer is involved in risk management.
- Group purchase of contract services provides an efficient way to obtain risk management expertise within cities' budgets.



# California's Insurance Market



## California Cities:

- Liability High Risk
  - Public safety, streets and roads, target in litigation.
- Workers Compensation High Risk
  - Aging workforce, physical labor, public safety
- Property High Risk
  - Evolved over the years to be high risk, aging infrastructure, wildfire concerns.

Traditional insurance carriers who offer low retentions do not write coverage for California cities.

Cities needed a solution.

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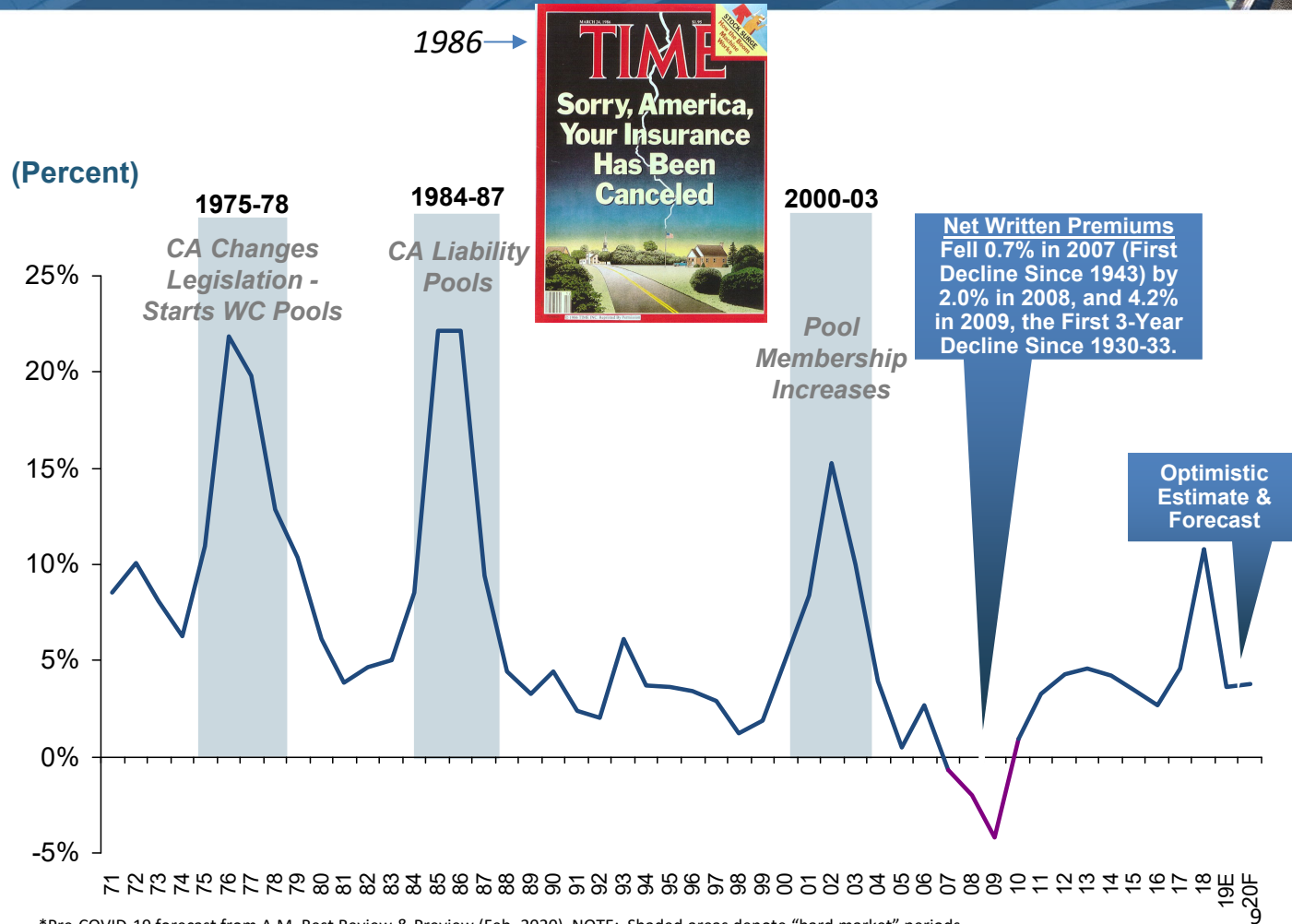
# History of JPA Participation



- Joint Powers Authority – A separate legal entity that can serve as a coverage provider to more than one public entity.
- Over 90% of cities and counties in California participate in Joint Powers Authorities (JPA).
  - Tremendous growth in the ‘80’s
- Pools provide a shared risk layer of ‘coverage’ before attaching to excess insurance.
  - Insurance Markets do not like CA risks
- Pools also provide many risk and insurance related services to their members.



# History of Pooling Compared to Net Written Premium



\*Pre-COVID-19 forecast from A.M. Best Review & Preview (Feb. 2020). NOTE: Shaded areas denote "hard market" periods  
Sources: A.M. Best (1971-2013, 2020F), ISO (2014-19); Risk & Uncertainty Management Center, Univ. of South Carolina



# SCORE OVERVIEW

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# Board of Directors

- All members are represented on the Board by their City-Appointed Representative and Alternate.
- Each Rep, or in their absence the Alternate, has a single vote.
- Minimum of four regular meetings a year:
- 4TH Friday of January, March, June, August and October
- Meeting length is approximately 3 hours
- October Planning & Training Session is 2 days



# The Officers/Executive Committee

- President – Wes Heathcock - City of Colfax
- Vice President – Blake Michaelsen– City of Dunsmuir
- Treasurer – Roger Carroll – Town of Loomis
- Secretary – Muriel Howarth Terrell- City of Mt. Shasta
- EC Member at Large – Wendy Howard - City of Shasta Lake

Terms are 2 years, terminating on the even years

# Governing Documents

- Joint Powers Agreement
- JPA Bylaws
- Master Plan Documents
  - Liability
  - Workers' Compensation
- Policies and Procedures

# SCORE Coverage Programs

- Liability – including Auto & Public Officials E&O
- Workers' Compensation
- Property Insurance
- Employment Practices Liability (ERMA)
- Crime/Fidelity
- Pollution Liability
- Automobile Physical Damage Program



# Member Participation FY 21/22

MEMBER CITY	Liability	Property (APIP)	PRISM Pollution	Work Comp	ERMA (EPL)	ACI EAP	Special Events	Crime (ACIP)	Crime (ID Fraud)	Alliant Mobile Vehicle (AMVP)	Contractor's Equipment (APIP)	Auto (APIP)	Vehicle Valuation (APIP)
Deductible		\$25,000	\$75,000		\$25,000			\$2,500 \$25,000*	\$0	\$1,000 = X \$2,000 = XX	\$5,000* \$10,000	\$10,000* \$25,000	
Expiration Date	6/30/22	7/1/22	7/1/22	6/30/22	7/1/22	9/15/22	1/1/22	7/1/22	7/1/22	7/1/22	7/1/22	7/1/22	7/1/22
Biggs	X	X	X	X	X	X	X	X	X		X	X	RC
Colfax	X	X	X	X	X	X	X	X	X	X	X	X	RC
Dunsmuir	X	X	X	X	X	X	X	X	X	X		X*	ACV
Etna	X	X		X		X	X		X	XX		X	RC
Isleton	X	X				X	X		X		X*	X*	ACV
Live Oak	X	X	X	X	X	X	X	X	X			X	RC
Loomis	X	X	X	X	X	X	X	X	X	XX		X*	ACV
Loyalton	X	X	X	X		X	X	X	X		X	X*	ACV
Montague	X	X	X	X			X	X	X		X	X	RC
Mount Shasta	X	X	X	X	X	X	X	X	X	XX		None	None
Portola	X	X	X	X	X	X	X		X	X	X	X	RC
Rio Dell	X	X	X	X	X		X	X	X		X	X*	ACV
Shasta Lake	X	X	X	X	X	X	X	X	X		X	X*	ACV
Susanville	X	X	X	X	X	X	X		X		X	X	RC
Tulelake	X	X	X	X	X	X	X		X	X		None	RC
Weed	X	X	X	X	X	X	X	X*	X	XX	X	X*	ACV
Yreka	X	X	X	X	X	X	X	X	X	X	X	X	RC

ERMA= Employment Risk Management Authority(Employment Practices Liability Coverage)

AMVP= Alliant Mobile Vehicle Program serviced by Marilyn Schley in SF office

Special Events serviced by Penny DeWitt in Newport Beach Office



# Liability Coverage Layers

\$40M

## Excess Layer

**Excess Insurance**

**\$7,500,000 to \$40,000,000**

\$10M

**EPL Coverage Limit: \$12,500,000**

\$5M

**CJPRMA Members**

**\$500,000 to \$7,500,000**

\$500K

## Shared Risk Layer

*All SCORE Members*

**\$25,000 to \$500,000**

\$25K

## Banking Layer

*Each Score Member*

**\$0 to \$25,000**

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# Liability Program



- **Mandatory Program - *All SCORE members must participate***
- SCORE's Coverage Follows Excess Coverage *except for EPL*
- CJPRMA provides up to \$40,000,000 limits
  - Property Damage & Bodily Injury
  - Personal Injury
  - Public Officials Errors and Omissions
  - **Employment Practices Liability (EPL) - \$12,500,000 Limit**
- **Optional EPL Coverage** up to CJPRMA retention of \$500,000



# Employment Practices Liability

Coverage for claims arising from employment, including

- Wrongful Termination
- Sexual Harassment

SCORE excludes these claims, but they are covered by CJPRMA

**Members join ERMA to cover claims up to the \$500,000 retention (deductible) for CJPRMA coverage.**



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# Workers' Compensation Program



**\$STAT**

## Excess Layer

**Excess Insurance: \$5,000,000 to Statutory**

**\$5M**

**LAWCX Members: \$250,000 to \$5,000,000**

**\$250K**

## Shared Risk Layer

***All SCORE members:***

**\$25,000 to \$250,000**

**\$25K**

## Banking Layer

***Each SCORE Member:***

**\$0 to \$25,000**

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# Property Program



- **All Real and Personal Property**
- **Business, Rental, Tax Interruption**
- **“All Risk” Less Exclusions such as:**
  - Earthquake and Flood (Flood available individually)
- **Full Replacement Cost** – no coinsurance penalty
- **Auto Physical Damage** - replacement cost if declare value, otherwise ACV
  
- **Deductible:** \$25,000 “All Risk” Property, Auto Phys. Damage 10,000 for City of Isleton, City of Loyalton, City of Montague, City of Portola, City of Dunsmuir, Town of Loomis, City of Rio Dell, City of Shasta Lake, and City of Weed for vehicles with ACV valuation; \$25,000 for all other members with RCV, \$50,000 for police vehicles with RCV under \$250,000, \$100,000 for All Vehicles with RCV of \$250,000 to \$750,000; \$250,000 for All vehicles with RCV in Excess of \$750,000.
  
- Includes **Cyber** and **Pollution** Coverage

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# Pollution Coverage



- **Shared limit of \$2M** between all SCORE members.
  - Deductible \$250k
- **Pollution or Indoor Environmental Conditions Coverage**: for claims arising out of a pollution condition on, at, under or migrating from a covered location, or an indoor environmental condition at a covered location
- **Transportation Coverage**: First-party and third-party coverage for claims arising out of a pollution condition resulting from transportation
- **Catastrophe management** emergency response costs incurred within seven (7) days (168 hours) following the commencement of a pollution condition, provided the costs are reported to the insurer within fourteen (14) days.

*Don't wait – report immediately for assistance!*

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# Cyber Insurance



- **Information Security & Privacy Liability** – each member has a \$2 Million aggregate limit
- **Privacy Notification Costs** limit of \$500,000 (limit is increased to \$1M if Insurer Vendor Services are used)
- **Cyber Extortion Loss** - \$2M aggregate limit
- **Data Recovery Costs** - \$2M aggregate limit
- **Data Protection Loss** and Business Interruption
- **Fraudulent Instruction** resulting directly from an Insured having transferred, paid, or delivered any Money or Securities as a direct result of Fraudulent Instructions - \$75K limit.

# Crime Coverage (ACIP)

- Employee Theft
- Robbery or Safe Burglary
- Computer Fraud
- **Faithful Performance of Duty**
- Funds Transfer Fraud
- Investigative Expenses – Sublimit of \$75,000
- **Treasurer/Tax Collector and Bonded Employees covered**
- Includes specified non-compensated officers as employees

# Other Coverage Programs

- Alliant Motor Vehicle Program
  - Lower deductible options available
- Employee Assistance Program (EAP)
- Identity Fraud Protection
- Pollution Liability – excess & umbrella

## Other Optional Programs:

- Flood
- Earthquake





# SCORE PROGRAM SERVICES

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# Service Providers to SCORE

- Alliant: Program Administrator and Broker
- Sedgwick: Liability & Workers Compensation Claims Administrator
- DKF Solutions: Risk Control
- Bickmore Actuarial: Actuary
- Maze & Associates: Financial Auditor
- Additional service providers (legal, training, etc.)

# JPA Administration

- Prepare Agendas and Coordinate Meetings
- Develop and Maintain Policy and Procedures
- Preparation of Annual Budget and Program Deposits
- Issue, Modify and Maintain Memorandums of Coverage for the Shared Risk layer
- Maintain SCORE Documents
- Risk Management Services
  - Resource For Risk Management Questions and Information
  - Coordinate Development of Loss Control Material
  - Contract Review for Insurance Requirements

# Claims Administration by Sedgwick

- Manage Member Liability & Workers' Comp Claims
- Designated Client Relations Director – Dori Zumwalt
  - Production of Monthly Loss Runs
  - Creation of Special / Ad hoc Loss Reports
  - Trust Account Management
- Claim Reviews with Members as needed or requested



# Risk Control Services – DKF Solutions

- On Site Assessments, Assistance, and Training
- OSHA Policy Development and Training
- Sewer Operation Risk Management
- Phone and E-mail Hotline for Questions
- Customized Online Training

David Patzer –

John Balestrini –

# Training Services

- Vector Solutions – Web based training and resources
- Lexipol – Police procedures & training bulletins
- Conference Participation Grants
- Risk Management Grants
- Website resources- [www.scorejpa.org](http://www.scorejpa.org)



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# CAJPA Accredited with Excellence



- Thorough audit of SCORE's operations as compared to pooling best practices set by CAJPA, they review:
  - Governance
  - Finance
  - Risk Management
  - Services

## SCORE:

- Accredited since 2006
- Re-accredited every 3 years

# SCORE Costs and Allocation

- SCORE's Board of Directors determine the budget allocation methodology.
- Costs are determined by SCORE's Actuary, Insurance and administrative expenses.
  - **Liability Program**
    - Member allocations are determined by payroll (50%) and admin expense (50%)
  - **Workers Compensation Program**
    - Member allocations are determined by payroll (50%) and admin expense (50%)
  - **Property Program**
    - Costs are determined by Total Insurable Values (TIV)

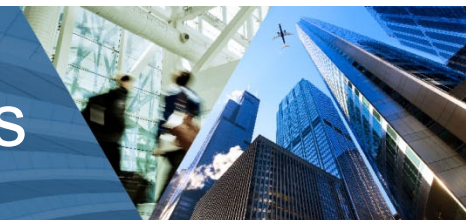




# Insurance Market

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# Large Public Entity Verdicts/Settlements



Loss Year	Description	Total Paid
2018	Sexual Abuse (Class Action)	\$500,000,000
2017	Sexual Abuse (Class Action)	\$215,000,000
2015	Methane Gas Leak	\$120,000,000
2015	Bus Shelter Collapse (Single Plaintiff)	\$115,000,000
2014	Child Abuse/Foster Care	\$113,400,000
2011	Police Shooting/Wrongful Death	\$97,000,000
2014	Dangerous Condition/Landslide	\$71,500,000
2016	Vehicle Accident/Fire Ambulance	\$65,750,000
2016	Wrongful Death	\$60,000,000
2015	Strip Search (Class Action)	\$53,000,000
2012	Dangerous Condition/Bridge Fire	\$50,000,000
2017	Vehicle Accident/Motorcycle vs Auto	\$46,000,000
2015	Vehicle Accident/Sherriff Vehicle	\$42,000,000
2011	Wrongful Conviction	\$40,000,000
2014	Dangerous Condition/Vehicle Accident	\$32,500,000
2015	Sexual Abuse	\$31,000,000
2016	Dangerous Condition/Vehicle Accident	\$30,000,000

# Liability Market: Loss Concerns



- **Joint and Several Liability + No Tort Caps**
- **Jury Awards – Rapidly Developing**
- **Dangerous Condition of Public Property**
  - Injuries Resulting in Lifetime Care Plans and/or Lost Earnings
- **Police Professional – Rapidly Developing**
  - Civil Rights Violation include Plaintiff Attorney's Fees
- **Sexual Misconduct Liability**
- **Auto Liability**

# Looking Ahead – The Market



## Liability Market:

- Increasing reserves for Law Enforcement Liability claims.
- SAM claims continue to come forward, high values and potential coverage issues (occurrences, date of loss, coverage exclusions/caps) – increasing area of underwriting for entities Policies and Procedures.
- **Continued market hardening expected.**

## Workers Compensation Market:

- Treatment of COVID-19 claims could still impact market significantly.
- Unlike other core coverage lines, WC remains **relatively stable.**

## Property Market:

- Increased scrutiny of client data (SOV, loss runs, COPE, etc.).
- Increased retentions and caps on certain types of exposure (wildfire).
- Decreased limits provided by single carriers.
- **Premium increases expected.**



# Parting Thoughts



- Expect significant pressure on Liability & Property rates.
- Public agencies that are continuing to see high verdicts and liability settlements will continue to see increases and the marketplace for coverage will continue to retract.
- Dramatic price increases and reductions in coverage can be expected for Sexual Abuse and Molestation and Law Enforcement Liability.
- Social Unrest focused on Public Entity infrastructure (City Hall, Police Station, etc.) could dramatically change market if several large urban losses are recorded.

# Recommended Areas of Focus

- Securing SCORE's financial position for the difficult years ahead.
- Law Enforcement: tools to reduce claims severity
- Cyber Liability: Hardening city systems, MFA
- Property Losses: Fire hardening, SOV review
- Workers Compensation: Hiring practices

# Questions?

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