



Costs Trends Affecting Your Public Entity Insurance

2024 CIRSA Member Appreciation Lunch

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Introduction

- Thank you for attending CIRSA's Member Appreciation Lunch!
- As a member organization, our goal is to serve our members' needs and we love to hear from our members!
- So, please: Let us know what's on your mind—and feel free to fill out a question/comment card for our luncheon. Your input is invaluable in helping us be of service to you.
- Please also be sure to check-out the information at our check-in table and on our website:
 - There's a lot of information about CIRSA's ongoing programs and services for members.
 - As well as information about upcoming trainings and other events CIRSA has scheduled around the state. Take advantage as you can—these programs are there to support you!

A Bit More About CIRSA (www.cirsa.org)

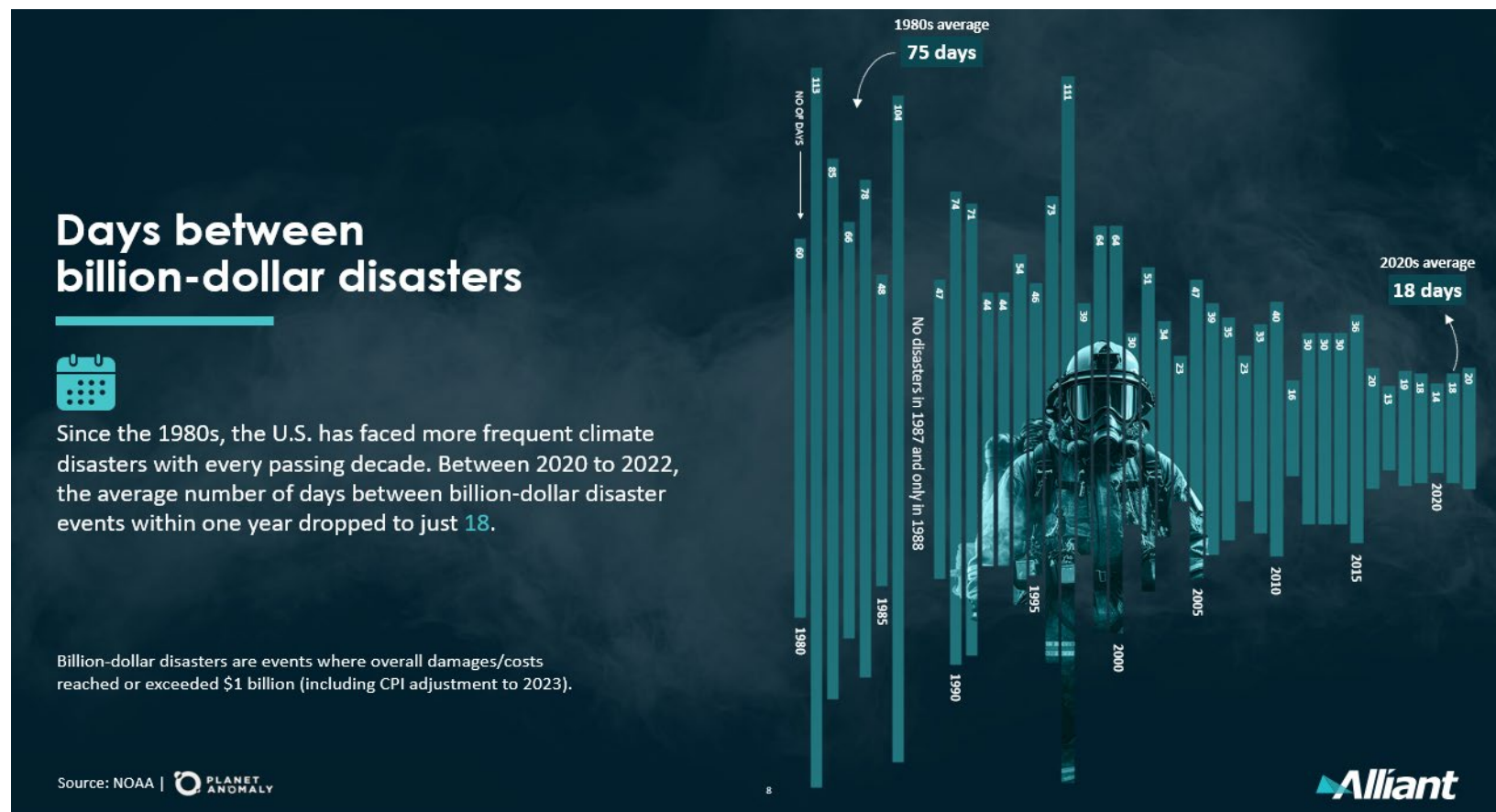
- CIRSA is a public entity self-insurance pool providing property, liability, and workers' compensation coverages to its members.
- We are a member-owned and member-governed organization. CIRSA's Board of Directors is made up entirely of municipal officials.
- We're not an insurance company, but an entity created in 1982 by intergovernmental agreement.
- No profit motive – our sole motive is to serve our members effectively and responsibly.
- Our total membership today stands at 290 member municipalities and affiliated legal entities. We insure 90% of the municipalities in Colorado.
- CIRSA seeks to be continually responsive to the needs of our membership – coverages and associated risk management services, sample publications, training, and consultation services, as well as other specialty services across all CIRSA departments.
- We have the largest concentration of liability and risk-management-related experience and knowledge directly applicable to Colorado municipalities.

Cost Trends Affecting Public Entity Insurance

- If you keep up with insurance news (😊) or you've heard us speak in the last few years about what's going on in the public entity insurance world, you're familiar with those risk exposures that have been the biggest drivers of insurance costs in recent years:
 - Wind, hail and tornado (aka Severe Convective Storm (SCS))
 - Wildfire risk
 - Law enforcement liability
- The year-over-year impacts of these drivers have taken their toll, and the recent years of big losses and big payouts will reverberate for years to come.
- Simply put, the cost of insurance is rising not only in Colorado but globally, and not only for pool members, but for every purchaser of insurance.
- Here, we'll highlight some of the factors driving the increasing costs of insuring municipal operations, discuss their impacts, and note some strategies the markets and CIRSA are putting into place. We'll also provide some preliminary P/C rate information for 2025.

Property Losses – More CATs More Often

- Globally, for the past four consecutive years, reinsurers have paid over \$100 billion for property losses stemming from natural catastrophes, with wind and hail claims being the largest driver and wildfire a significant contributor.
- And data suggests higher frequency of CAT events will continue.



One recent example:

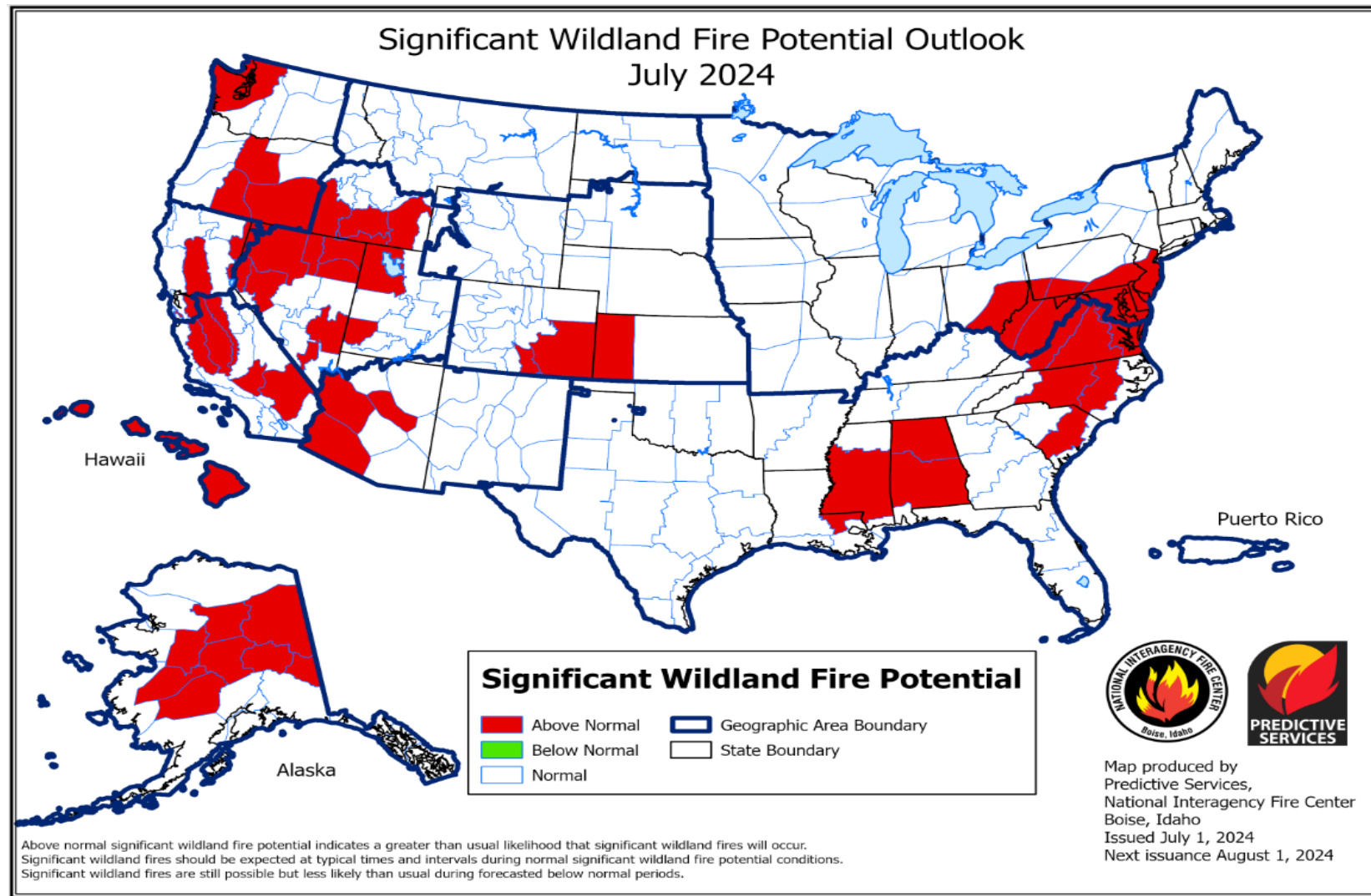
Damage From Hurricane Beryl May Cost Insurers \$2.7 Billion in US, KCC Says



Property Losses - Colorado

- Colorado is now second only to Texas in experiencing frequent and severe wind/hail losses.
- After several years of “normal” wind/hail activity, members were hit hard in 2023. Wind/hail claims in 2023 totaled up to nearly \$18 million, which is nearly 2-1/2 times the total of wind/hail claims experienced by CIRSA members for the four preceding years.
 - There were 28 different wind/hail events in 2023 affecting 74 members, with some hit more than once. While generally limited to hail-prone areas, we’re seeing events elsewhere (e.g., recent West Slope hail event with \$275k estimated losses for member).
- And, although CIRSA members have been fortunate in the area of wildfire losses, Colorado has experienced significant fires and fire losses, and it continues to be a major risk, including in the eyes of CIRSA’s reinsurance partners.

Property – Wildfire Risk



Property – Wildfire Risk

Colorado's Fire History Facts

20 of 20 largest wildfires have occurred in the last 20 years (since 2001)

16 of the top 20 largest wildfires have occurred in the last 13 years (since 2008)

15 of top 20 largest wildfires have occurred in the last 9 years (since 2012)

11 of top 20 largest wildfires have occurred in the last 5 years (since 2016)

9 of top 20 largest wildfires have occurred in the last 3 years (2018 and 2020)

4 of top 5 largest wildfires have occurred in the last 3 years (2018 and 2020)



COLORADO

**Division of Fire
Prevention & Control**

Department of Public Safety

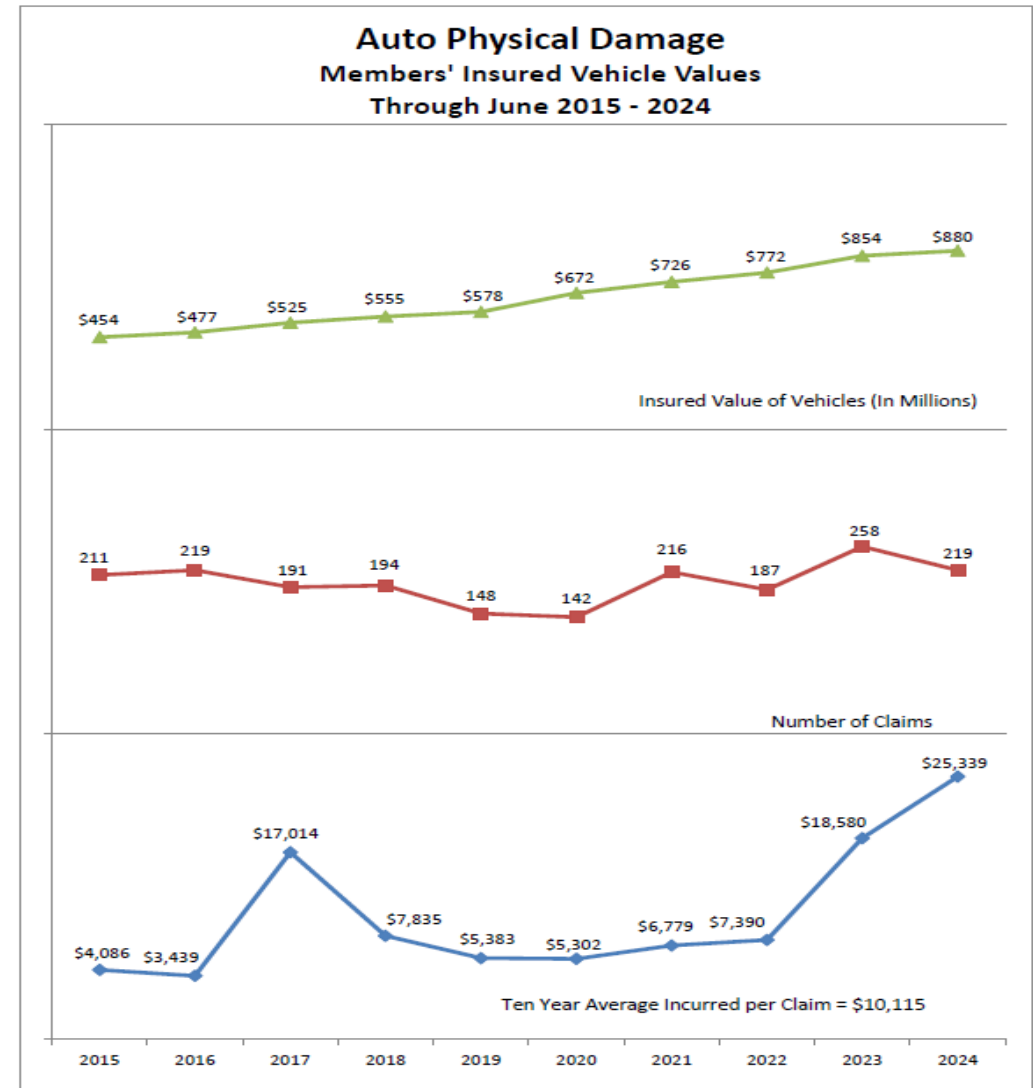
Auto Physical Damage

- It may not be the first cost driver you think of, but auto physical damage (APD) claims and the costs of repairing/replacing vehicles have accelerated substantially since the pandemic. Some reasons:

- Supply chain
- Distracted Driving
- Hail damage
- Electronics

Vehicles are just plain expensive!

- While 2020 represented a low for claims/claims costs, from 2020 to present, the costs of acquiring and repairing vehicles have increased over 40%.
- Average claims costs in 2023 were highest ever, and are now around 2.5x the ten-year average.



Law Enforcement Liability

- Colorado has been a focal point for adverse changes in the liability environment, as legislative activity has opened up new areas of liability for public entities, particularly in law enforcement.
- Police agencies across the nation and in Colorado, including a number of CIRSA members, have found themselves in heretofore uncharted “nuclear settlement” territory in the resolution of law enforcement liability (LEL) claims.
- Other Colorado jurisdictions have experienced “nuclear verdicts.”
- Although this is a nationwide trend, Colorado has been singled out by the reinsurance community as one of a couple of particular trouble spots for this trend.

Law Enforcement Liability – Gone Nuclear

- Colorado Nukes:
 - An \$8.75 million settlement in 2020 is our biggest to date (Minella/Patscheck).
 - Other Colorado nuclear claims include Zach Gifford (\$9.5m, 2022), Elijah McClain (\$15m, 2021) Denver protest verdict (\$14m, 2022), Christian Glass (\$19m, 2023), Ruby Johnson (\$3.76m verdict, 2024), Karen Garner (\$3m, 2021), Rios-Gonzalez (\$8.5m, 2024).
- High-profile nukes get the news, but overall aggregate losses most clearly show the trend: The total amount of law enforcement losses our members sustained from 2018 to present is more than \$20 million above the total amount we incurred for ALL of the preceding 36 years combined, going all the way back to the beginning of CIRSA.

Impacts

- Globally and locally, the recent years of catastrophic property/casualty claims have impacted capacity, rates and the bottom line.
- Our brokers anticipate continued hard markets for property and law enforcement liability coverage. Higher severity means fewer reinsurers willing to individually offer the same limits/capacity.
 - One illustration of what we're facing? In the insurance market, Colorado is now paired with CALIFORNIA as the two worst states for law enforcement liability, largely because of perceptions based on legislative changes the past few years.
- Due to catastrophic claims in recent years, as well as market conditions and investment losses, CIRSA's property/casualty costs in four of the six claims years from 2017 to 2022 began exceeding the amount collected in contributions.

Addressing These Trends

- With wind/hail and law enforcement being the coverages and claims most impacted by these trends, CIRSA, like many pools and reinsurers, is pursuing strategies for greater cost sharing for these coverages and claims. For 2025 for CIRSA, these strategies include:
 - Increases in minimum deductibles for property (\$5,000), auto physical damage (APD)(\$5,000), and law enforcement liability (LEL)(\$25,000).
 - Additional percentage deductibles for **wind/hail claims only**.
 - These deductible changes affect property, APD and LEL only. There will be no changes in the deductible structure for auto liability, general liability, and errors and omissions.
- CIRSA has distributed to members several emails and articles about these changes. **For more information, grab the brochure at the check-in table** and if you have questions, contact your CIRSA Underwriting Representative.

Addressing These Trends

- This is the first time in CIRSA's 40-year history that minimum deductibles have been increased significantly.
- We believe these increases are a more fair allocation of and cost-sharing for the cost of claims, especially as coverage limits and coverage costs have increased continually.
- These strategies are intended to augment CIRSA's fiscal health and enable further rate stability in future years.
- These changes direct the increases in minimum deductibles to exposures most affected by the big loss trends, and more fairly allocate costs for these exposures among rates and deductibles.

2025 P/C Contribution Quotes

- For 2025, your property/casualty contribution quotes will reflect an average 12.6% increase.
 - This percentage is the average across all lines of property/casualty coverage and for the membership as a whole.
 - Individual members may see greater or lesser increases, or overall decreases, depending on a variety of underwriting factors, including loss experience, changes in exposures, changes in total operating expenditures, chosen deductibles and limits, and other factors.
- Your chosen limits and deductible(s) impact your contributions, and CIRSA now offers members more options (as of 2024). As you may know from your personal coverages, your chosen limits and taking a greater deductible can provide a reduction in your overall cost of coverage, but it's also important that your entity assess its budget capacity and appetite with respect to limits and deductibles.

Concluding Thoughts

- Know that the CIRSA team is here to help your entity assess its options and the impacts of these changes. We encourage you to reach out to us during your 2025 renewal and budget process for assistance in evaluating the impacts and budgeting implications of upcoming changes, as well as your options for limits, deductibles and coverages.
- As you know from the past few years, insuring your properties, vehicles, and police operations is more challenging than ever. Colorado's prominent position on the wind/hail and wildfire maps and reinsurers' LEL "watch list" means the challenges will likely continue, and public entities in Colorado will likely face rising costs and hard markets for claims and coverages in these areas for the foreseeable future—with ever increasing budget impacts.
- As your pool and through the power of pooling, CIRSA is here to help you meet these challenges, so please reach out. **And THANK YOU for undertaking all of the challenges of local government, and for being valued members of CIRSA!**