

# 2021-2022 OSIG PROGRAM UPDATE

Presented By

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# Topics to Discuss

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- Service Team
- YE 2020 Results
- Current Market Conditions
- Renewal Expectations
- Coverage Options for Buildings
- Binding Procedure
- OSIG Commitment

# Service Team

NAME / TITLE	PHONE.	EMAIL	ROLE
<b>Jennifer McKenzie</b>	918-764-7137	<a href="mailto:Jennifer_McKenzie@ajg.com">Jennifer_McKenzie@ajg.com</a>	Program Manager
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<b>Brya D'Abrosca</b>	918-764-1624	<a href="mailto:Brya_Dabrosca@ajg.com">Brya_Dabrosca@ajg.com</a>	Assistant Program Manager Finance & Marketing
<b>Beth Meeker</b>	918-884-2946	<a href="mailto:Beth_Meeker@ajg.com">Beth_Meeker@ajg.com</a>	Senior Customer Service Rep
<b>Susan Sullivan</b>	918-764-1653	<a href="mailto:Susan_Sullivan@ajg.com">Susan_Sullivan@ajg.com</a>	Administrative Assistant

# YE 2020 Results

	As of June 30		
	2020	2019	2018
<b>Assets:</b>			
Cash, cash equivalents and investments	\$ 20,821,106	\$ 23,003,506	\$ 24,390,499
Net reinsurance receivable	10,651,653	4,787,340	961,957
Other	91,657	82,405	564,364
<b>Total assets</b>	<b>\$ 31,564,416</b>	<b>\$ 27,873,251</b>	<b>\$ 25,916,820</b>
<b>Liabilities:</b>			
Net unpaid losses and loss adjustment expenses	\$ 15,416,602	\$ 12,724,860	\$ 10,870,371
Prepaid member contributions	2,286,484	1,768,368	1,623,772
Other	86,361	1,535,354	1,601,341
<b>Total liabilities</b>	<b>\$ 17,789,447</b>	<b>\$ 16,028,582</b>	<b>\$ 14,095,484</b>
<b>Net position:</b>			
Investment in capital assets	\$ -	\$ -	\$ 13
Unrestricted	13,774,969	11,844,669	11,821,323
<b>Total net position</b>	<b>\$ 13,774,969</b>	<b>\$ 11,844,669</b>	<b>\$ 11,821,336</b>

# Current Market Conditions

## Attributes of a hard insurance market

1. Combined ratios are up; return on equity is down.
2. Sustained and significant rate increases
3. Increased Reinsurance costs
4. Reduced capacity
5. Reduction in the number of new market entrants

Combined Ratios well above 100% avg 110-120%

Increase in Cat weather events, social inflation, challenging litigation environment.

Rate Forecast by Product Line	Mid-year Update	Q4 2020-2021
Property Non-Catastrophic with Good Loss History	Up 5% to 15%	Up 5% to 10%
CAT Property with Minimal Loss History	Up 20% to 40%	Up 10% to 25% +
CAT or Non-CAT Property with Poor Loss History	Up 40% +	Up 25% to 30% +
Primary General/Products Liability	Up 5% to 10%	Up 10% to 20%
Primary Automobile Liability with Fleets in Excess of 200	Up 20% to 30% +	Up 10% to 20%
Excess Automobile Buffers	Up 40% +	No Change
Umbrella & Excess Liability (Risk Management Buyers)	Up 25% to 100% Layers possibly reduced.	Up 25% to 75% + Factors in contraction of limits.
Crime	10% to up 25%	Up 10% to 30% Due to Social Engineering.
Network Security & Privacy (Cyber)	Up 5% to 20%	Up 5% to 20%

# Continuation of the Hard Market

- The market hardened earlier this year and we have since seen the exit of some Public Entity insurers in Texas, Oklahoma, and Kansas, for windstorm and hail events. This situation is putting pressure on the remaining insurance carriers and on reinsurers across the country at a time when windstorms and hail, coastal flooding, riots and civil commotion are on the rise.
- Risk pools are also being affected by changes in the reinsurance market and are seeing losses that are similar to those experienced by more traditional insurers.
- Combined ratios are well above the 100% average. Trending around 110-120%, this means the industry is paying out more in losses and expenses than it is collecting in premium. Generally insurers want to achieve ROE return on equity of around 10% in order to cover the cost of capital and generate ample return for shareholders. In a hard market average ROE might be down 1-4%, because climbing combined ratios are eating into the returns. To offset insurers have to collect more premium. The industry is continuing to see an increase in catastrophic weather events, social inflation, and a challenging litigation environment; macroeconomic developments, and COVID-19.

# Current Renewal Expectations

Since YE 2015, OSIG has incurred over \$186M million in property losses in the program.

\$148 million of these losses have been on the back of our reinsurer while paying them only \$84 million in premiums.

This is a 177% loss ratio.  
Reinsurers strive to keep their accounts at a 65% loss ratio.



# Coverage Options for Buildings

- Replacement Cost (RC) – At replacement cost as of the time of loss or damage.
- Actual Cash Value (ACV) – Replacement cost less depreciation.
- Debris Removal Only (DRO)
- Potential savings by changing valuation.
- If a building value is changed from RC to ACV or DRO we must receive the building value from the School.

# Binding Procedure

In order to bind coverage effective 7/1/21 we will need the Resolution signed and returned.

1. Resolution signed by President, Board of Education and the Clerk, Board of Education.

You will receive a sample version included with the Plan Document.

The live version you will receive with your quote.

## Resolution of «Districtname» to Join Oklahoma Schools Insurance Group

Whereas, Oklahoma Schools Insurance Group (“OSIG”) is an Oklahoma interlocal formed in accordance with Oklahoma law to enable Oklahoma School Districts to cooperate with each other to procure insurance services, benefits and insure against losses and possible liabilities in the most cost effective manner; and

Whereas, [District Name] is an Oklahoma public school district (“the District”); and

Whereas, OSIG has provided to the District a Plan Document which includes a quotation for certain insurance coverages for the 2020/2021 plan year; and

Whereas, the quotation is acceptable to the District;

Now, therefore be it resolved, that the District hereby joins OSIG as a Member;

Be it further resolved, that so long as the District remains as a Member, the District shall comply with OSIG’s bylaws, the Plan Document, and OSIG claim reporting procedures; and

Be it further resolved, that by the adoption and signing of this resolution, «DistrictName» understands and agrees that school district members are responsible for their own loss experience and will not be singly responsible for other members’ losses.

Date: \_\_\_\_\_ [District]

\_\_\_\_\_  
By: President, Board of Education

ATTEST:

\_\_\_\_\_  
Clerk, Board of Education

# OSIG Commitment



The mission of Oklahoma Schools Insurance Group is to provide quality, cost effective, risk management products and services to member schools.

By remaining together as a group, we will be able to continue to provide them with the quality insurance and risk management services they need to protect their schools' assets, board, staff and most importantly the children.