Risk Management Issues for Alaskan Public Entities

APEI
Alaska Public Entity Insurance

AMLJIA
ALASKA MUNICIPAL LEAGUE JOINT INSURANCE ASSOCIATION

What is a “Pool”?

A Pool is a ***Joint Insurance Arrangement*** of a group of Alaskan Public Entities which have banded together to self-insure one another and purchase insurance as a group

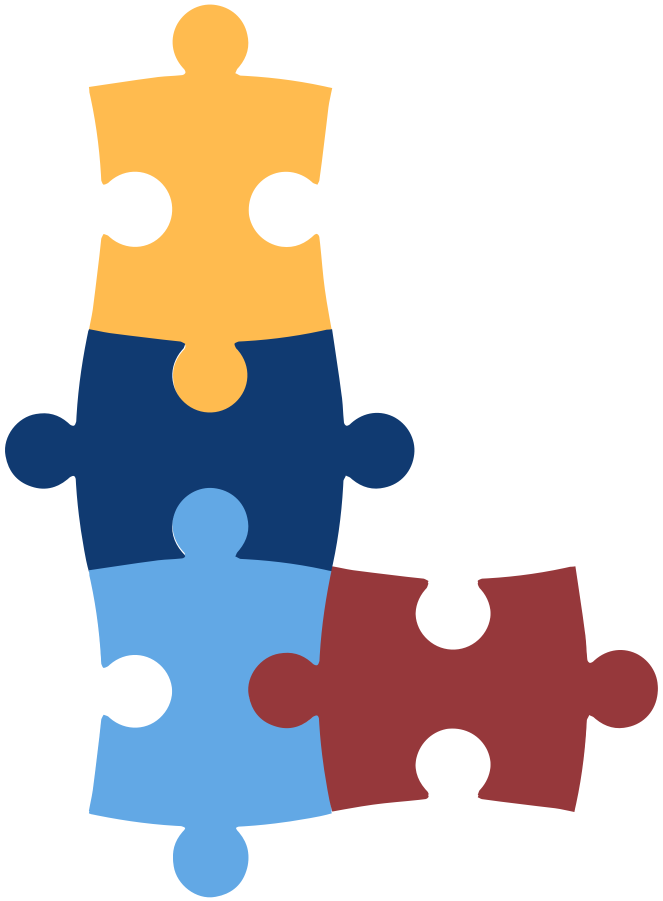
Alaskan Pools

- There are currently two pools in Alaska:
  - Alaska Public Entity Insurance (APEI) and
  - Alaska Municipal League Joint Insurance Arrangement (AMLJIA).
- Most public entitles in Alaska are members of one of these pools.

Pool Characteristics

- Non-profit
- Governed by a board of directors or trustees made up primarily of pool members
- Coverage tailored to meet needs of public entities
- Focus on loss control
- The vast majority of public entities around the US are members of pools

Topics to Discuss Today



- Property
  - Valuation and Cost trends
- Workers' Compensation
  - Coverage for out-of-state employees
- Fraudulent impersonation
- Municipal liability trends
- Future of Pooling in Alaska

Property Valuation

- Construction costs have increased significantly since 2020
- APEI and AMLJIA both work with a professional appraiser to assess cost trends
  - Building cost trend factor in 2021 was about 10.5%
  - Trend in 2022 was about 15%
  - Trend in 2023 around 6%

Property Losses

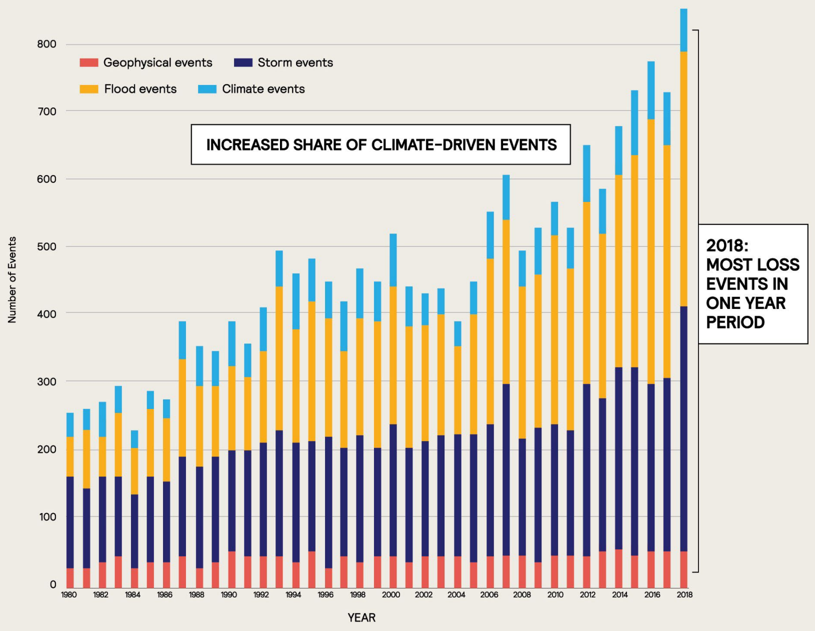
Insured property losses are increasing over time, particularly ones related to climate

- Wildfires
- Unusual rainfall / Floods
- Windstorms

In Alaska:

- Erosion
- Thawing permafrost
- Wildfire

Figure 5: Number of Natural Catastrophe Events Worldwide – 1980 to 2018 *(Source: Munich Re)*



Accounted events have caused at least one fatality and/or produced normalised losses ≥ US$ 100k, 300k, 1m, or 3m (depending on the assigned World Bank income group of the affected country).

Erosion

Climate change leading to reduction of sea ice along coast protecting coastline

- Some places eroding rapidly
- If a $10 mil building is expected to disappear in 10 years, appropriate insurance premium for that is $1 million a year (plus expenses)
- Not realistically insurable

Thawing of Permafrost

Defined as ground that is frozen year round

- Historically much of northern and western Alaska covered in permafrost
- Thawing causes ground to settle and damage to buildings
- Significant potential costs associated with damaged buildings and permafrost
    - Not considered insurable

Wildfires

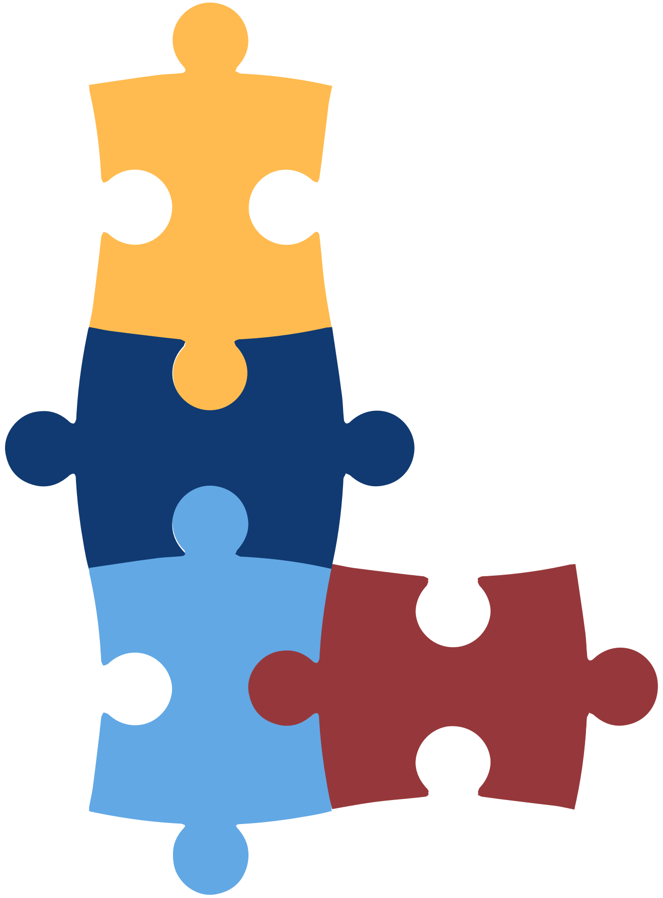
We have not experienced significant losses to public entity buildings due to wildfires, but potential exists

Insurance carriers have paid out huge amounts for wildfires in other states and are concerned the same will be required in Alaska

Out-of-state Workers' Compensation

- Many employees working remotely these day
- Neither APEI nor AMLJIA are licensed to write WC in any other state
- Need to make sure that employees based outside Alaska are covered for WC
- Let us know and we can help you obtain the out-of-state WC coverage

Fraudulent Impersonation



Definition: Scheme where a criminal pretends to be a supervisor, employee, or vendor trying to request and receive a fraudulent payment.

Entity staff doesn’t recognize the fraud and issues payment to fraudster.

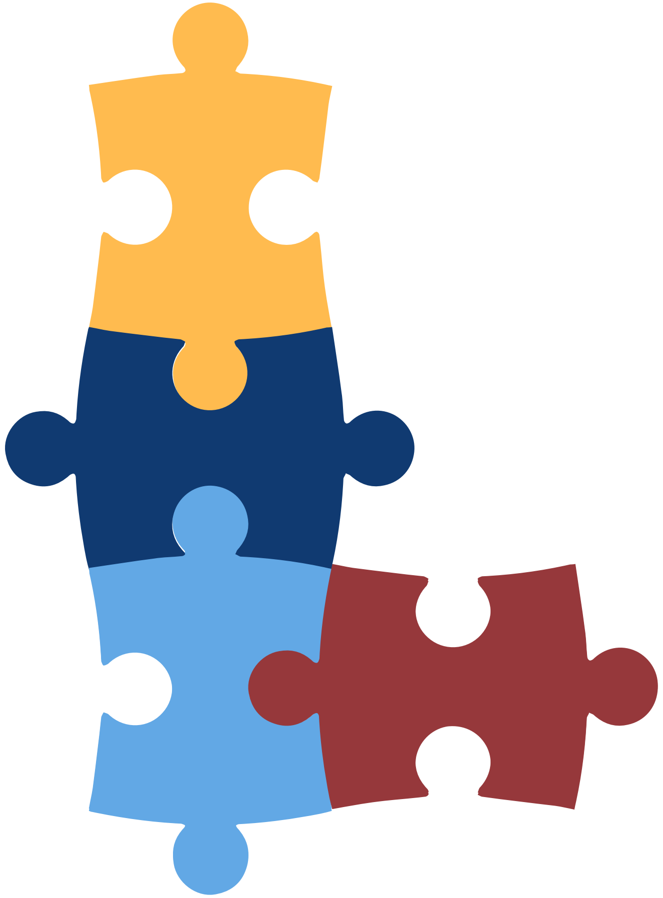
Fraudulent Impersonation

- This is a particular problem for public entities
  - Public Entities are generally transparent about vendors and employees
  - School districts, in particular, may have widely dispersed staff without significant expertise in cyber security
  - Budgets are tight

Fraudulent Impersonation - Examples

- Department Director/accounting clerk received valid email from known vendor with latest invoice
- Director/clerk then received another email that appeared to be from the same vendor but was from fraudsters, requesting change in payment method to ACH
- Employee had emails back and forth with fraudster, asking questions and requesting confirmation of certain items
- Employee forwarded request to supervisor/finance department for approval, which was granted, and money was paid into fraudster's account

Protect your organization

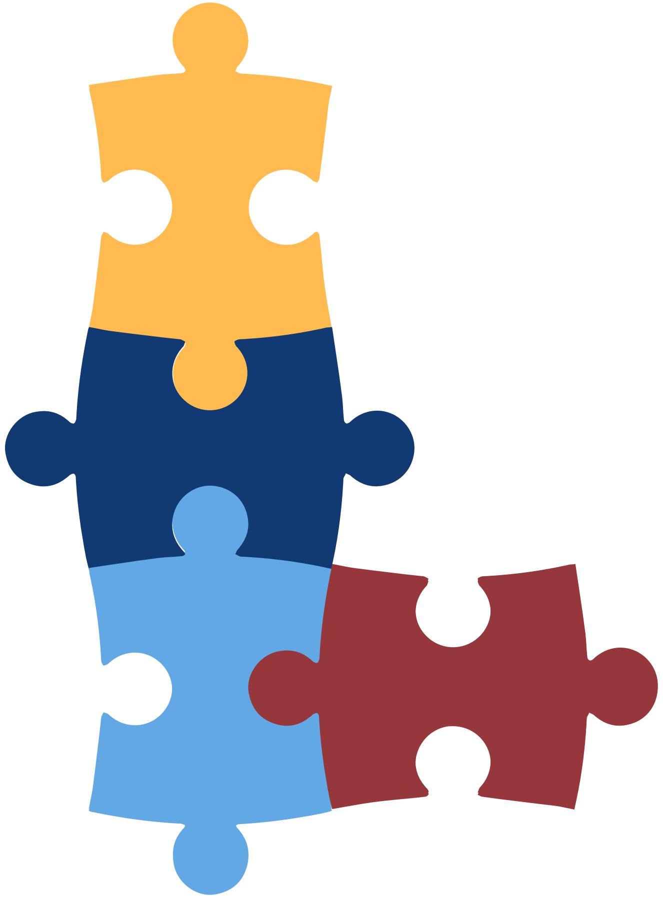


- Have policies in place requiring all requests to change how payments are made should be confirmed using an alternate process like a phone call
- Educate employees on how to identify suspicious requests
- Calls from a financial institution questioning the legitimacy of a payment should be taken seriously.
- Report any potential fraudulent impersonation to law enforcement

Municipal Liability Trends

- There is a growing trend in Public Officials' Liability claims stemming from a number of common acts:
  - Wrongful termination
  - Constructive discharge
  - Sexual assault / sexual harassment
- Other liability trends include:
  - Jail deaths
  - Use of force
  - Improper maintenance or care

Avoiding these Liabilities



- Have up-to-date policies and procedures and regularly train staff on those policies.
  - Personnel
  - Use of force
  - Body cam
- Utilize your entity’s attorney and follow that attorney’s advice. If you do not have an attorney, contact the AMLJIA’s employment law hotline or APEI’s HR specialist
- Inspect facilities, identify hazards, and mitigate those hazards. Loss control staff can help you in that effort.

OSHA & Public Entity Risk Management Seminar

- OSHA 10 – hour general industry – April 15 and 16
  - Hazard communication
  - Walking and working surfaces
  - Electrical safety
  - Exit routes
  - Emergency action plans
  - Fire protection
  - PPE and more!
- PERMS – April 17 and 18
  - Employment Law
  - Cyber security
  - Avoiding liability claims
  - Fiscal controls
  - De-escalation techniques
  - Property trends and more!

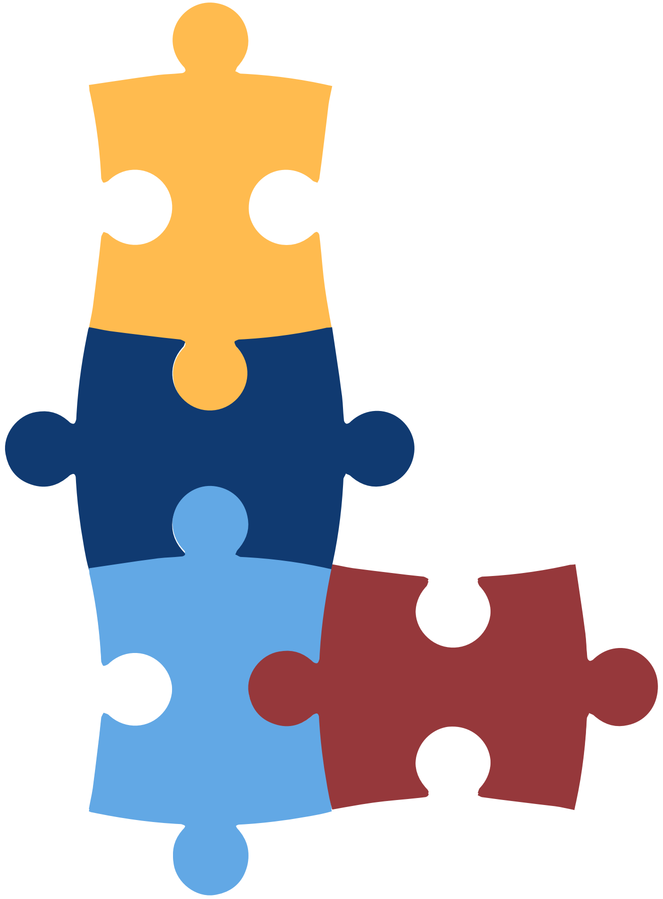
Future of Pooling in Alaska

- APEI and AMLJIA are considering consolidating and forming a single risk pool
- A Consolidation Committee – 4 board members from each pool - is studying the possibilities, meeting monthly
- There are many considerations, and decisions to be made over the next year
- If the two boards and members decide to go ahead, the tentative start date for the new pool is July 1, 2025

Potential Advantages

- Economies of scale could allow for a savings in costs to the pool and lower premiums for members
- Combined staffing could provide enhanced member services
- Internally, merging could provide greater staffing depth for positions requiring specific expertise, including claims, loss control, and underwriting

Next Steps



- Continued work by the Committee to review:
  - Governance
  - Coverage
  - Risk management programs/services
  - And much more…
- Actuarial valuation and projections
- Ongoing communications with members and stakeholders

Decision-making Process

- Committee will recommend to the AMLJIA and APEI boards that the pools consolidate and recommend a plan for the consolidation
- AMLJIA and APEI board must approve the plan to consolidate and send the issue to the membership
- Members will be asked to vote to approve a consolidation
- Target implementation date: July 1, 2025

Questions?

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