

2021 SR520 Bridge Self-Insurance



Jason Siems

State Risk Manager
Office of Risk Management



Streator Johnson

Administrative Risk Manager
Business and Support Services



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Summary

- Why Insurance
- Current Practice
- Self-Insurance
- What's Next

The Language of the Bond

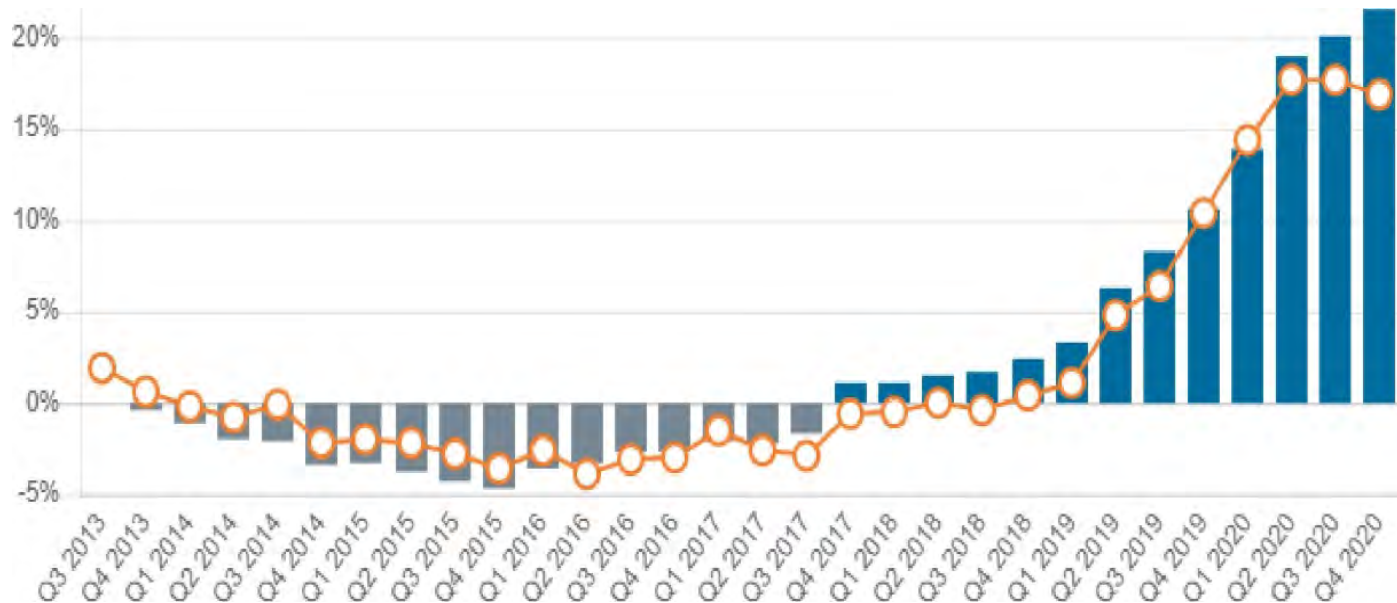
Section 7.07 Insurance

The State covenants that it will keep the System and its use and operation thereof insured (including through self-insurance pool insurance) at all times in such amounts, subject to such exceptions and deductibles and against such risks, as are customary for similar facilities, including business interruption insurance. All insurance policies shall be carried with a responsible insurance company or companies authorized to do business in the State or shall be provided under a self-insurance program; any self-insurance program shall be actuarially sound in the written opinion of an accredited actuary, which opinion shall be filed with WSDOT at least annually. At any time and from time to time, the State may elect to terminate self-insurance of a given type. Upon making such election, the State shall obtain and maintain comparable commercial insurance.

Cost of Coverage Trends

| State of Washington – <u>520 Bridge</u> | <u>2018-2019</u> | <u>2019-2020</u> | <u>2020-2021</u> (at 10/29/2020) | <u>2021-2022</u> | <u>Variance</u> |
|--|------------------|------------------|-------------------------------------|------------------|-----------------|
| Total Insurable Values (TIV): | \$1,432,670,000 | \$1,492,278,737 | \$1,487,345,331 | \$1,531,128,036 | 2.94% |
| Earthquake TIV: | \$1,432,670,000 | \$1,492,278,737 | \$1,487,345,331 | \$1,531,128,036 | 2.94% |
| Earthquake Limit: | \$100,000,000 | \$100,000,000 | \$100,000,000 | \$100,000,000 | 0.00% |
| *Property Annual Cost: | \$2,772,013.86 | \$3,320,404.12 | \$4,043,922.26 | \$5,806,323.43 | 43.58% |
| Cyber Liability Annual Cost: | \$ N/A | \$ N/A | \$ N/A | \$ N/A | N/A |
| Pollution Liability Annual Cost: | \$ N/A | \$ N/A | \$ N/A | \$ N/A | N/A |
| Total Account Rate (\$/100): | 0.1934859 | 0.2225056 | 0.2718886 | 0.3792187 | 39.47% |
| **Total Annual Cost: | \$2,772,013.86 | \$3,320,404.12 | \$4,043,922.26 | \$5,806,323.43 | 43.58% |

Percentage Increase in Insurance Premiums Over Time



Pros and Cons for Insurance

Commercial Insurance

Positive Reason for Keeping Insurance:

- Clear coverages and limits
- Costs of loss transferred to insurer rather than state
- No initial outlay of funds to create a reserve
- No statutory changes needed
- Satisfies bond requirements

Reasons for Changing to Self-Insurance:

- Increasing premium costs
- Little control over premium increases
- Annual renewal workload

Pros and Cons Self-Insurance

Self-Insurance

Reasons for Going to Self-Insurance:

- Cheaper in the long run
- Economy of scale—other projects could be covered

Reasons for Staying with Insurance:

- Workload to set up self-insurance scheme
- Initial funding outlay
- Need for actuarial review and probable loss study
- Statutory changes will likely be needed
- State would need to cover costs of large loss

Where Do We Go From Here?

In Order to Go to Self-Insurance We Need to Do the Following:

1. We will need to have a maximum probable loss study done to determine risks for the bridge;
2. An actuarial assessment needs to be done to determine the amount of money to be held in reserve;
3. There needs to be a review done by bond counsel to ensure that self-insurance scheme complies with bond agreement;
4. And finally, the Legislature will need to create and fund a self-insurance account.

Any Questions?



- Jason Siems (360) 742-6348 jason.siems@des.wa.gov
- Streator Johnson (360) 480-1420 johnsst@wsdot.wa.gov