Insurance Work Group

Notes
October 15, 2003
1:30 PM, Denali Commission

Participants: Al Ewing, Bob Stewart, Brandon Allen, Ed Phillips, Jeff Doty, Kevin Smith, Linda Hall, Mark Kelty, Michelle Anderson, Rachael Petro, Ted Lehrbach.

Welcome: Introductions were made around the room.

Discussion:

Rural Property Insurance Program – Brandon Allen presented draft numbers using a loss limit approach for insuring rural infrastructure. He presented participants with a memo which is reprinted here:

"Recapping the situation, the Denali Commission has invested substantial funds in developing rural infrastructure. A large percentage of the infrastructure is uninsured primarily because coverage is unavailable or unaffordable.

Two programs offer competitively priced coverage however they have critical limitations. The AML/JIA program is restricted to organized cities, boroughs and school districts. The Amerind program is restricted to residential housing. Approximately $1.5 billion of projects are outside of these two programs The Denali Commission inquired about what kind of insurance program is available through the open market for infrastructure in primarily "unprotected" areas.

The structure of the proposed program is a **loss limit approach** (maximum amount paid in any one loss) with a **large deductible** possibly funded by the Denali Commission. The premium is based on a rate per hundred dollars of value times the total insured value (TIV) of all the insured items. Coverage is the basic **named perils basis**. The **loss limit is $15million per occurrence** with a **sublimit of $10m annual aggregate for earthquake and flood**. Flood coverage is subject to the insured providing documents that their locations are outside of the 100 year flood plain prior to flood coverage being offered.

The proposed **deductible is $100k per loss with an annual aggregate of $300k**. Losses under $25k would not accrue to the aggregate. If the aggregate were breached during the policy year, a $25k per claim deductible would apply for the balance of the policy year. The deductible for quake and flood would be 5% of values at risk subject to a $100k minimum. The annual aggregate feature allows the Denali Commission to effectively budget a deductible expense.

Using these parameters, a rate of 40 cents per hundred is a reasonable expectation. A community with $10 million of value would have an annual premium of $40,000 per year. This premium is about 50% less than current open market rates for insuring rural infrastructure."

Questions/Answers:

- **What is the AML/JIA rate?** Kevin Smith: About .38 cents – but realize the components are different.
- **What is non-admitted/admitted carrier?** Linda Hall/Brandon Allen: An admitted carrier is regulated by DCED, Division of Insurance, and participates in the State's guarantee fund. An un-admitted carrier is subject to similar oversight, but is not eligible to participate in the guarantee fund.
- **What about the idea of adding tribes to the statute allowing AML/JIA to offer coverage?** Al Ewing, Kevin Smith, Rachael Petro: Adding tribes to statutory language has been attempted unsuccessfully several times. Unless this option is enthusiastically promoted by a diverse group (like this one) and is badly wanted by the recipients, this solution is a no-go.
- **Wasn't there an assessment on the state's guarantee fund recently?** Linda Hall: Yes, there was in the arena of worker's comp. She agreed to address this directly offline since it is not directly relevant to the topic at hand.
- **What about forming an ARECA type pool through ANTHC for clinics, through the new RAFS for bulk fuel farms, etc.?** Linda Hall: These types of reciprocal arrangements are encouraged by the state. Linda Hall agreed to provide more information on reciprocals at the next meeting.
- **Is there a way for AML/JIA to provide insurance in a "non-pooled" relationship?** Linda Hall/Kevin Smith: Agreed to discuss and bring possibilities to November meeting.
- **What has been presented by AMERIND?** Rachael Petro, Linda Hall, Al Ewing: AMERIND has presented itself as a possible solution mechanism. AMERIND's status providing additional coverage besides residential housing needs to be discussed with the state. Linda stated her efforts to work with Amerind and agreed to continue trying to get the information she needs to make any assessments in regard to expansion of their coverage.
- **Could regional non-profit provide an insurance pool in their areas?** Ed Phillips, Brandon Allen, Mark Kelty: Yes, it's possible, but the bigger the territory covered – the more the risk is shared/spread – the more affordable (or cheaper). Most regionals are currently insured.
- **Define affordability.** Al Ewing, Brandon Allen: Once we have gathered loss estimates for the last ten years & compare it to what our proposed solutions would cost – it may help define affordable.
    - **For communities with no money – what's affordable?**
- **What about costs associated with becoming insured like erosion mapping, etc?** Al Ewing: Good question.

Assignments:

Third Party Agreement (TPA): Linda Hall, Kevin Smith
Loss History Data: Bob Stewart, Mike Black, Brandon Allen
Reciprocal: Linda Hall
Education: Terry Harper (she was unable to attend on 10/15)

NEXT MEETING:
Friday, November 21st, 9am, Denali Commission.